This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

**Usage guidelines**

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

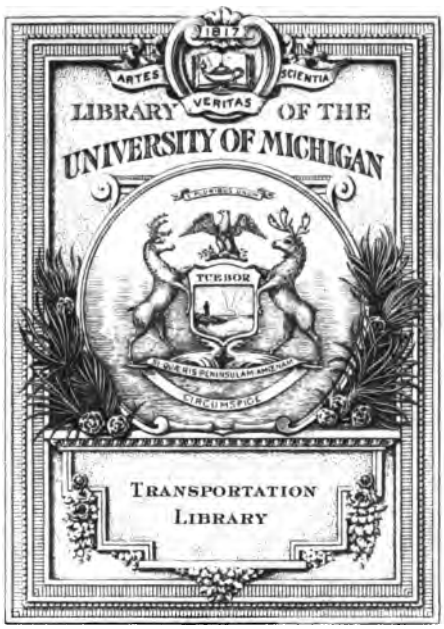
We also ask that you:

+ *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
+ *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
+ *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
+ *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

**About Google Book Search**

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at `http://books.google.com/`

B 461495


1817
ARTES
VERITAS
SCIENTIA
LIBRARY OF THE
UNIVERSITY OF MICHIGAN
TUEBOR
SI QUÆRIS PENINSULAM AMŒNAM
CIRCUMSPICE
TRANSPORTATION
LIBRARY

Transportation
Library
HD
2795
.B33

TWENTY FIVE CENTS.

# Why PAY Tribute?

Pre-capitalization

# Why Pay Tribute?

---

## The Limitation of Incomes

---

## The Remedy for Watered Capitalization

---

## The Progressive Income Tax With Tabulation

By JOHN W. BATDORF

---

NEW YORK:
THE VOLUNTEER PRESS
38 COOPER SQUARE
1908

SH

*COPYRIGHTED*
*1908*
*By JOHN W. BATDORF*

## PROPORTIONATE TAXATION GIVES EQUAL OPPORTUNITY TO ALL MEN.

The Air, the Water, and the Land all exist alike for the good of Man, dwelling as one community. As men take, for their necessities, or for profit, inert force from Nature, or a part of the production of others, it is only just that all should pay the same standard measurement of toll, for the support of Governmental organization of a community.

Who can Justify the Marketing of Billions of Fictitious Securities, upon which Dividends are DEMANDED, and still maintain that neither the Producers' Earnings have been lessened, nor the Consumers' Costs have been Advanced?

Can any man say: "I am a free American Citizen!" when Reason tells him that year by year he pays more for his necessities, and that all the time his income is diminishing?

In actual fact, he is a Bond Slave to Enthroned Watered-Wealth Power, which aims, for its own profit, to keep him in the chains of life-long servitude.

# FOREWORD

The reason this book was written is to present the argument to the American voter that the Jeffersonian principles of the equality of all men before the law have been nullified by the sinister activities of a small group of Hamiltonian Wall Street Financiers, to-day controlling the majority of all State legislators, who, in turn, elect the majority of the United States Senators. It is this system of political and financial intrigue that has enabled them to make themselves the actual rulers of our great land.

This book does not advocate the confiscation of acquired wealth, or the disturbance of the social, economic or mercantile fabric; but it is intended to show how selfish men can be prevented from using traps prepared to ensnare from the unsuspecting community the production of wealth, derived by its toil from the inert forces of Nature, that rightly belongs to those who create it.

The great purpose of the book is to rouse each man to the realization of the fact that he has just as much voting power, personally, as *any other* man has; and that as only a few men have accomplished this selfish iniquity and are building up a despotic power, all other men are vitally interested in breaking their control of affairs, and obtaining freedom—both industrial and political—for themselves and their children. Also, that they Can do these things if they Will.

JOHN W. BATDORF.

# THE QUESTION.

The question is this, "Will the voter consent that his rights to his earnings under the Constitution, shall be capitalized by watered securities in advance of the production of the wealth he produces, and that it shall be taken away, in most part by the payment of an ever increasing price for commodity, or what is known as the higher cost of living, and an ever decreasing yearly income?" This operation in finance shows that he is paying a tribute to centralized wealth, gained by the aid of a previous issue of Watered Capitalization upon which the interest and dividends must be paid from toil. Every man's experience of the past ten years will convince him that this is a fact. His only relief is to help himself, and he can only accomplish this end by legal action under our laws, and not by the drastic action of force.

In a speech delivered at Provincetown, Massachusetts, on August 20, 1907, President Roosevelt demonstrated the accurate grasp that he possesses upon all the salient points of the present complicated economic situation. He summed up the whole matter in the following lucid and felicitous sentences:

"I have spoken of but one or two laws which, in my judgment, it is advisable to enact as part of the general scheme for making interference by the National Government more effective in securing justice and fair dealing as between man and man here in the United States. Let me add, however, that while it is necessary to have legislation when conditions arise where we can only cope with evils through the joint action of all of us, yet that we can never afford to forget that in the last analysis the all-important factor for each of us must be his own individual character.

It is a necessary thing to have good laws, good institutions; but the most necessary of all things is to have a high quality of individual citizenship. This does not mean that we can afford to neglect legislation. It will be highly disastrous if we permit ourselves to be misled by the pleas of those who see in an unrestricted individualism the all-sufficient panacea for social evils; but it will be even more disastrous to adopt the opposite panacea of any socialistic system whch would destroy all individualism, which would root out the fiber of our whole citizenship. In any great movement, such as that in which we are engaged, nothing is more necessary than sanity, than the refusal to be led into extremes by the advocates of the ultra course on either side. Those professed friends of liberty who champion license are the worst foes of liberty, and tend by the reaction their violence causes to throw the Government back into the hands of the men who champion corruption and tyranny in the name of order.

"So it is with this movement for securing justice toward all men, and equality of opportunity so far as it can be secured by governmental action. The rich man who with hard arrogance declines to consider the rights and the needs of those who are less well off, and the poor man who excites or indulges in envy and hatred of those who are better off, are alike alien to the spirit of our national life. Each of them should learn to appreciate the baseness and degradation of his point of view, as evil in the one case as in the other. There exists no more sordid and unlovely type of social development than a plutocracy, for there is a peculiar unwholesomeness in a social and governmental ideal where wealth by and of itself is held up as the greatest good. The materialism of such a view, whether it finds its expression in the life of a man who accumulates a vast fortune in ways that are repugnant to every instinct of generosity and of fair dealing, or whether it finds its expression in the vapidly useless and self-indulgent life of inheritor of the fortune, is contemptible in the eyes of all men capable of a thrill of lofty feeling. Where the power of the law can be wisely used to prevent or to minimize the acquisition or business employment of such wealth and to make it pay by income or inheritance tax its proper share of the burden of government, I would invoke that power without a moment's hesitation."

Those who have gained many millions of accumulated wealth, the share they desire to receive, have only done so by the limitation of the earning power of the producer. They have sequestrated the greater portion of earned wealth from Nature's warehouse, and have become our multi-millionaires, not by hard toil, but by the system's scheme of watered securities. If they have so limited the producer by the legal power they assume, without the consent of that producer, surely that producer has the same right from the legal power he possesses under the constitutional law, to limit those who have limited him in his possibilities of the retention of all earned wealth, each man as to his capabilities. There is an exact limitation to the annual wealth produced by toil. Here is where the yardstick is in evidence in the limitation of earned wealth to the original producers. They can secure no more from their scheme of production further than to satisfy existence. The farmer plants the seed, and allows natural force to develop the product, knowing full well that there will be a demand for that which he produces. This is his scheme and all the labor he gives to his plan is to take away from some other schemer the cash that he has realized from the necessities of his community. After original product has been taken from the soil or mine, some schemer handles the production, and by changing its form to satisfy consuming desire, has been enabled to monopolize necessities to such an extent that enormous fortunes have been constructed entirely by the aid of this kind of Watered Capitalization. The toiler does not earn money by his work in any line whatever. A man could work until Doomsday and receive nothing for his effort, unless he has a plan or scheme, whereby a community will gladly pay a price for his

efforts in order to preserve existence, or for improvement, and to enjoy a more luxurious life.

The adoption of the two proposed amendments to the Constitution would forever make it impossible for any corporation or individual to deprive any man of the result of his just earning capacity of producing wealth by his toil of production. It would then be to the interest of those who employed labor not to see how low a price is to be paid, but to see how high a price can be paid; for the reason that as no benefit can be derived from excess income, it must be to the interest of the employer to pay as high a price as possible, up to the legal limit allowed him as profit or dividend, or the limit of his income taxation, so as to obtain the very best workmen in the art of work desired. This would also tend to spur the ambition of the workman for the better the workman, the larger the pay from those who employ, who would be anxious to pay the greatest wage their limit of excess income would permit.

A selfish man would assume that this proposition is unequal taxation, but, he must remember that as he has received blessings of profit under his government and its laws, if he is patriotic, he should pay a taxation in support of Government (as every other man does) in the proportion as he extracts income from their common community; otherwise he is a shirker of a duty which rightly devolves upon him and desires to throw his burden unjustly upon the shoulders of a weaker man. Because of this, laws have been enacted in the past to equalize justice amongst men; for this reason these amendments are advocated.

Wealth gained by the aid of Watered Capitalization is robbery pure and simple, as against the interest of the rest of the

community. But we must not forget that the past generations, in their majorities have produced all the laws, and by their aid have enabled the few to centralize the accumulated earned wealth of past producers. These individuals, in justice, should be allowed to retain all that they have gained or inherited, but the power should be invoked by the vast majority of men of this generation, in an absolutely legal way, that this vast centralized wealth should not be used as a curse demanding *always* a tribute from producing man. It must be decentralized in its future income, and the mass broken up, and scattered by its sale to the rest of producing mankind, who will invest it with personal effort for the benefit of all, and the ever increasing prosperity of our land and country. If it is retained in mass, the excess income must be collected and used, by the aid of the Nation's Treasury for public improvements, for free communication and distributed intelligence. It can also be used to build and maintain the best navy the world could produce. Postage, except that on merchandise should be free, and telegraphs and telephones should be owned by the Government, and operated by and under the Postal Department. To prevent abuse only a nominal charge should be made for telegraphic and telephonic service.

This book does not advocate the limitation of wealth, nor the confiscation of wealth; but simply the destruction of unjust and enthroned monopoly, and the dissolution of the co-partnership, which was legally, from time to time, secretly and imperceptibly placed upon the producing class, without their consent, by and through laws placed upon the statute books by the law-making legislators, the majority of whom were under the dominion and power of scheming men of finance. These men to-day, few in num-

ber, collect for themselves, year by year, all of the accumulated earnings of the producers. All those who produce from natural sources, if they are to retain the full earnings of the producers for themselves as they earn them, must become united in united action, for individual benefit, for the reason that there is no power that can be exerted to help them, except the power of their vote for Constitutional relief.; therefore to help themselves, they must help their class.

One must remember that the ownership of a mass of wealth must have been gained originally, by the aid of Watered Capitalization, and the prime interest to the owner is to add to it by the receipt of interest and dividends. The owner is not a producer of wealth, but a receiver of wealth produced by others. In this way it becomes the curse to the community, for those who are compelled to use it first must furnish security for the loan, and be its slave to give the first of the earnings to satisfy the demand for interest and dividends. This shows more plainly in real estate, where the tenant works for the landlord; for the reason that the landlord sees to it that the utmost is collected for rent. The argument of the Progressive Income Tax with the limitation of income as advocated, changes all this. The owner of the massed wealth is taxed, exactly as the producer of wealth is taxed. All pay upon this plan of taxation in proportion to their yearly income, as extracted from the community. By this it is plain that all income extracted must be produced by those who toil. The owner of massed wealth, unjustly taken by the injustice of Watered Capitalization, would be compelled by his fellow men to equalize it by the plan of taxation proposed and to dispose of his property to the community, thus

to be decentralized, and the old co-partnership dissolved. In the decentralization of wealth, the former owner would receive its full worth by its sale to the community, and he could use its value received, as he felt disposed. If the limitation of income operated against the owner, before its sale, he would be compelled to give to the community free use of the property, for the reason, if it drew no income from the community, there would be no tax. Instead of having wealth enmassed, there would be wealth distributed amongst a large number of owners, and where there formerly would be but one spender for producer's product from income, you would then have thousands, they using their own capital with personal effort to retain to the utmost the income derived for personal comfort.

In having thousands of spenders for the purchase of commodity, instead of one, it is plain to be seen that the amount taken from producers for interest and dividends, on good par cash valued securities, the producers would again receive it back by the increase of demand for commodity, intended for necessary existence. Under the present system of one owner millions of produced wealth is massed to the detriment of thousands of men in the same community. The question to be answered is, "What *is* to the interest of the great majority of men?"

## THE SITUATION—THE REMEDY.

The injustice of brute force, when it is in power, has ever shown itself to be ruthless to those who are powerless to help themselves. In the days of Rome the Plebeians were slaves to the Patricians. In Feudal days, the people were the same to their Feudal Lords, and so on down to the present day, the great masses of population have bowed down as serfs to the few great men, who, born to inherited positions, or possessors of great brains, have contrived under the existing forms of law to compel them to toil, using a great part of their earnings to pay tribute.

In this day of ours, this slavish tribute is clearly shown in the result obtained by the way in which our great corporations have been formed by Watered Capitalization. Watered Capitalization being something worthless when originated, is intended to ensnare by anticipating a future value to be produced by a coming community. Take the railroads as a case in point. In the beginning money was furnished by the stockholders to build these roads, but practically all the money thus contributed was lost by the foreclosure of the original bonds. Then came re-organization by those who owned these original bonds. From that, grew what is now called "High Finance," and High Finance is to issue new bonds equal to the amount of the cost of the re-organization, plus the sum required for new cash capital, and in addition thereto, to issue a large amount of stock of a new Company thus formed. This stock was absolutely at no cost to the re-organizers. This is what is called

"Watered Stock." Let us see what is the meaning of "watered stock" to the community. We can understand the bond issue, for that means that some one has put legitimately so much real money in an enterprise, but in watered stock, we can see that it must be a mortgage upon some future generation. One must remember that the real capital of the road is represented by the sale of bonds. The deterioration must be made up from the profits of transportation. It is thus clearly seen if dividends on watered stock are declared, that tribute is collected from those who are compelled to use the road. To those who have deliberately taken an unjust advantage of the conditions in the community, their capital is unearned, and through modes of legal procedure they have taken advantage of the laws of that community.

What the railroads have done is also true to a still greater degree in our industrial corporations. The result of these conditions has made 80,000 people enormously rich, and therefore, 80,000,000 of people are forced to pay unjust tribute to this small class.

This has all been done apparently under the form of law in force yesterday. The community must recognize as legal every act, whether good or bad, that has been done under those laws, and confirm to the possessors of wealth, their property. To-day the community must come to a solution of the problem, to-day they must prepare to equalize their social rights for the morrow,—under the Constitution.

All men have the same equal rights under our Constitutional Laws. To-day the power of the Patrician and the Feudal Lord is in possession of those few men, who, by the aid of watered capitalization, have gained control of wealth represented by the enormous

issue of this unearned stock. If the power is there, why should not the community have the benefit of the earnings of the utilities and enterprises, when the community, by the use of them, have produced the wealth the stock represents, and not the stockholder, who, unjustly under the law of the past, is the apparent owner of that stock? This centralized power of wealth must furnish the solution of this state of affairs. Here our remedy must be applied. Socialism would wrongly confiscate this stock, and give its power to the National Government, and would also take away the ambition of the individual, and make serfs of the community. What has been rightfully acquired under past laws should not be taken away by force. It can be made possible, however, to justly force this enormous capitalization, entirely produced by the community, to work and to pay the taxes of government in that community. This can be done only by an amendment to the Constitution, which will produce laws for a graduated tax upon inheritance, but more especially a *National* law for a progressive income tax, *with a limitation on incomes,* so graduated that it would bear lightly upon those who receive a less income from toil, and proportionately upon those who receive larger and even greater incomes, particularly if it be proven that the principal from which these incomes are derived had been gained from unjust advantage.

Immediately after the American Revolution, the inhabitants of this great country were organized into a community cemented together by the National Constitution. All legal acts pertaining to property, accumulated up to the present time, must be sacredly maintained, but interest and dividends upon that property, not yet accrued, may, with propriety, be governed by the community of

to-morrow. Each and every man under this Constitution has an equal right to propose and vote for laws with that of any other man, and it simply means that if the majority of three-quarters of the States vote for a certain amendment, by virtue of Article V of the Constitution then that must be the law of the future. If one man has laid unjust tribute upon nine hundred and ninety-nine other men, and they are unconscious of it, they will pay the tribute as a matter of course; those same men, however, when they become educated to the knowledge of this injustice will seek some way to be relieved of the imposition. Gather one thousand men together, explaining the situation of the one-man's legal control, ask for a vote for an amendment to the Constitution which would give the one man his money and remove the future tribute from the rest, surely all but one man would vote in the affirmative. This is right. This is just. This is robbing no man of his wealth made under past laws, nor is it robbing the great future majority of men without their consent.

Many articles have been written in magazines and the public press, to show this state of affairs, but very little to enable the community to see if there be a remedy. It must be acknowledged that all men instinctively seek a monopoly in their line of work. This is what is known as "the survival of the fittest" and can be traced through all past generations. This selfish ambition has also been curbed when it became an injustice. The Plebeians seceded from Rome, but returned when Plebeian Tribunes were created, which tended to equalize social conditions with the Patricians. King John of England was compelled to divide the power he held, and give the historic Magna Charta to his nobles and his freemen.

The French Revolution forced the landed estate from the crown and the nobles, to be divided among those who cultivated the land, and made modern France rich. In the American Revolution, the people would not submit to a tax without representation, so they fought King George the Third and won.

In the present generation we have the same question ever before us—the small minority of men with the same desire to enslave the great majority. Education is going on with added broadness, and it is only a question of time, when the majority of men will forsake the political tools of the minority, enthrone reason as their master, use the franchise given them by the Constitution, and thereby enjoy their inheritance.

A corporation is an artificial being conceived by the brains of men, to enable them, without personal responsibility, to transact the affairs of the minority with the community. It is a law-made business with no human feeling, but to gain profit. The laws pertaining to corporations have been made on the principle of the Autocratic Ruler of a Nation—"To rule for himself first, and the community last." The community, having no selfishly disposed representative, has had to suffer loss, while the corporation with its well paid agents has made the gain.

Take such corporations as the New York, New Haven & Hartford Railroad. Their original charter restricts the dividends for the stockholders to a certain per cent., and all earned above that amount is to be turned in to the Connecticut State Treasury, acting upon the principle of the "Progressive income tax with a *limitation of income.*" No money, so far, has been given to the State in this way, for the reason that if it had the road would have

lost this income forever. To utilize the excess earnings over the legal limit, it has invested them in betterments of the road, and service, and thus the public secure the benefit, and the stockholders the knowledge that they have a property better adapted for the public's use, and, an added security for real capital invested.

Some of the State Governments, in granting charters, have entered into partnership with the corporations, especially those of railroads, and were to receive the dividends above a certain percentage. Good bookkeeping, by selfish corporations, has prevented any income accruing to the State, but even in this event the general public have received indirectly the benefit of the excess income of the corporation. What has thus been accomplished will show the way how to govern corporations.

The National Government must insist on a National Charter with all corporations doing business outside of the State of incorporation and on receiving all excess earnings upon *real* capital invested. Bonds and stocks of these corporations would then be as safe for the investment of the community's savings as those of the National Banks.

In an income tax as proposed, the great majority of men can pursue their vocations without fear, for these laws, acting for the community as a whole, will restrict or confine those who have conspired in the beginning to fasten a monopoly upon the future unsuspecting public. That those who inherited the sin, should pay the penalty of the original conspiracy, is but fair and just.

It is evident to a reasoning mind that the principle of the Limitation of the Income applied to Governmental affairs of a community, is one of equalization. In applying it to the corporation—

a trust so-called—the community by its own law controls corporative operation in business for mutual benefit, giving the corporation justice in the only way it expects to receive justice;—in its secured dividends. To the individual it gives entire freedom of action, with no limit placed upon him except a just one between man and man. Under the present system a man has no chance to compete in trade with the corporation; under this plan, advocated, the individual realizes exactly what to expect the corporation will do with its limited monopoly; consequently he can act with entire assurance in his own business effort, and will know to a certainty what his taxation will be on the income realized from his smaller business.

It has been argued that this would dampen the ambition of man to limit his legal income from wealth. It certainly would graduate the man who had a positive assurance of the limitable income. Where one man is so graduated, would it not benefit the ambition of nine hundred and ninety-nine men? Would they not aspire to reach the same standard limit of income, and would not the community be more prosperous, with the survival of the fittest taking the position of the graduated man, and the rest of the community having the opportunity of advancement for the reason that this man is thus actively removed from the top? It can be safely argued from a community's standpoint taken as a whole, that this would be so. All trusts then would become good trusts, for these laws acting as an automatic governor, would take away the incentive of monopoly without destruction to the good work done by combination. It would mean a greater price for natural or original product from the farm or mine, a greater wage-earning power to the artisan,

and a lower price to the consumer, for the reason that profits would be limited so as to retain the value of the dividend in the property of the corporation, rather than pay the excess dividends into the National Treasury. It would make but little difference, under this law, if great utilities were controlled or owned by the National Government, or by the corporations or individuals, for results, over the excess income limit, would be used for the interests of the community as they were obtained.

The widow and the orphan, as well as the individual, investor, would be protected under the form of taxation proposed, because the cash received from those who toil or have inherited the same, would be invested in real value; the wealth of the past having been centralized by the promoter from the sale of watered securities, the Promoter is therefore heavily taxed in the graduated way suggested; and the greater the centralization of this wealth, the greater the income to the National Government, which can be used for the benefit of the community from whom it was unjustly taken, through the connivance of venial legislators of past days.

The enactment of a law, as outlined, would prevent any individual who is now receiving an enormous income from watered wealth from using the income to force out of business other individuals who are employing legitimate or smaller capital to transact their affairs. This law is for the benefit of that portion of the community whose consent was not asked, nor given, at the time watered securities were produced. It is but just and proper that the community shall have their day in court, to maintain the principle, that excess dividends derived from watered wealth should be used for the benefit of those who have made them, and not for those who

have centralized wealth unjustly, by the aid of watered securities.

Attention is called to the appended table. It will be readily seen that the tax rate per cent. is directly proportional to the gross income and that the income tax is nominal for incomes of $10,000.00 or under, and limitable, less State and Real Estate Taxation, at $500,000,00. Above that gross income, all excess is to revert to the National Treasury for the benefit of the entire community.

# PROGRESSIVE INCOME TAX

## *A TABULATION*

**with the tax rate directly proportional to the gross income, and the net income limited to Two Hundred and Fifty Thousand Dollars.**

COPYRIGHT 1907 BY JOHN W. SATORSF

| Tax Rate | INCOME | | | Tax Rate | INCOME | | |
|---|---|---|---|---|---|---|---|
| % | GROSS | TAX ON | NET | % | GROSS | TAX ON | NET |
| .1 | 1000. | 1. | 999. | 6. | 60000. | 3600. | 56400. |
| .2 | 2000. | 4. | 1996. | 6.1 | 61000. | 3721. | 57279. |
| .3 | 3000. | 9. | 2991. | 6.2 | 62000. | 3844. | 58156. |
| .4 | 4000. | 16. | 3984. | 6.3 | 63000. | 3969. | 59031. |
| .5 | 5000. | 25. | 4975. | 6.4 | 64000. | 4096. | 59904. |
| .6 | 6000. | 36. | 5964. | 6.5 | 65000. | 4225. | 60775. |
| .7 | 7000. | 49. | 6951. | 6.6 | 66000. | 4356. | 61644. |
| .8 | 8000. | 64. | 7936. | 6.7 | 67000. | 4489. | 62511. |
| .9 | 9000. | 81. | 8919. | 6.8 | 68000. | 4624. | 63376. |
| 1. | 10000. | 100. | 9900. | 6.9 | 69000. | 4761. | 64239. |
| 1.1 | 11000. | 121. | 10879. | 7. | 70000. | 4900. | 65100. |
| 1.2 | 12000. | 144. | 11856. | 7.1 | 71000. | 5041. | 65959. |
| 1.3 | 13000. | 169. | 12831. | 7.2 | 72000. | 5184. | 66816. |
| 1.4 | 14000. | 196. | 13804. | 7.3 | 73000. | 5329. | 67671. |
| 1.5 | 15000. | 225. | 14775. | 7.4 | 74000. | 5476. | 68524. |
| 1.6 | 16000. | 256. | 15744. | 7.5 | 75000. | 5625. | 69375. |
| 1.7 | 17000. | 289. | 16711. | 7.6 | 76000. | 5776. | 70224. |
| 1.8 | 18000. | 324. | 17676. | 7.7 | 77000. | 5929. | 71071. |
| 1.9 | 19000. | 361. | 18639. | 7.8 | 78000. | 6084. | 71916. |
| 2. | 20000. | 400. | 19600. | 7.9 | 79000. | 6241. | 72759. |
| 2.1 | 21000. | 441. | 20559. | 8. | 80000. | 6400. | 73600. |
| 2.2 | 22000. | 484. | 21516. | 8.1 | 81000. | 6561. | 74439. |
| 2.3 | 23000. | 529. | 22471. | 8.2 | 82000. | 6724. | 75276. |
| 2.4 | 24000. | 576. | 23424. | 8.3 | 83000. | 6889. | 76111. |
| 2.5 | 25000. | 625. | 24375. | 8.4 | 84000. | 7056. | 76944. |
| 2.6 | 26000. | 676. | 25324. | 8.5 | 85000. | 7225. | 77775. |
| 2.7 | 27000. | 729. | 26271. | 8.6 | 86000. | 7396. | 78604. |
| 2.8 | 28000. | 784. | 27216. | 8.7 | 87000. | 7569. | 79431. |
| 2.9 | 29000. | 841. | 28159. | 8.8 | 88000. | 7744. | 80256. |
| 3. | 30000. | 900. | 29100. | 8.9 | 89000. | 7921. | 81079. |
| 3.1 | 31000. | 961. | 30039. | 9. | 90000. | 8100. | 81900. |
| 3.2 | 32000. | 1024. | 30976. | 9.1 | 91000. | 8281. | 82719. |
| 3.3 | 33000. | 1089. | 31911. | 9.2 | 92000. | 8464. | 83536. |
| 3.4 | 34000. | 1156. | 32844. | 9.3 | 93000. | 8649. | 84351. |
| 3.5 | 35000. | 1225. | 33775. | 9.4 | 94000. | 8836. | 85164. |
| 3.6 | 36000. | 1296. | 34704. | 9.5 | 95000. | 9025. | 85975. |
| 3.7 | 37000. | 1369. | 35631. | 9.6 | 96000. | 9216. | 86784. |
| 3.8 | 38000. | 1444. | 36556. | 9.7 | 97000. | 9409. | 87591. |
| 3.9 | 39000. | 1521. | 37479. | 9.8 | 98000. | 9604. | 88396. |
| 4. | 40000. | 1600. | 38400. | 9.9 | 99000. | 9801. | 89199. |
| 4.1 | 41000. | 1681. | 39319. | 10. | 100000. | 10000. | 90000. |
| 4.2 | 42000. | 1764. | 40236. | 10.5 | 105000. | 11025. | 93975. |
| 4.3 | 43000. | 1849. | 41151. | 11. | 110000. | 12100. | 97900. |
| 4.4 | 44000. | 1936. | 42064. | 12.5 | 125000. | 15625. | 109375. |
| 4.5 | 45000. | 2025. | 42975. | 14. | 140000. | 19600. | 120400. |
| 4.6 | 46000. | 2116. | 43884. | 15. | 150000. | 22500. | 127500. |
| 4.7 | 47000. | 2209. | 44791. | 17.5 | 175000. | 30625. | 144375. |
| 4.8 | 48000. | 2304. | 45696. | 20. | 200000. | 40000. | 160000. |
| 4.9 | 49000. | 2401. | 46599. | 22.5 | 225000. | 50625. | 174375. |
| 5. | 50000. | 2500. | 47500. | 25. | 250000. | 62500. | 187500. |
| 5.1 | 51000. | 2601. | 48399. | 27.5 | 275000. | 75625. | 199375. |
| 5.2 | 52000. | 2704. | 49296. | 30. | 300000. | 90000. | 210000. |
| 5.3 | 53000. | 2809. | 50191. | 35. | 350000. | 122500. | 227500. |
| 5.4 | 54000. | 2916. | 51084. | 37.5 | 375000. | 140625. | 234375. |
| 5.5 | 55000. | 3025. | 51975. | 40. | 400000. | 160000. | 240000. |
| 5.6 | 56000. | 3136. | 52864. | 45. | 450000. | 202500. | 247500. |
| 5.7 | 57000. | 3249. | 53751. | 46.9 | 469000. | 219961. | 249039. |
| 5.8 | 58000. | 3364. | 54636. | 47.5 | 475000. | 225625. | 249375. |
| 5.9 | 59000. | 3481. | 55519. | 50. | 500000. | 250000. | 250000. |

To find your income tax (on any net income) square the net income; that is, multiply the net income by itself and point off six decimals, thus giving the millionth part of the quotient as your income Tax. Example. A yearly income of $2,367.00 would be taxed $5.60.

```
  $2,367
    2,367
  ------
   16,569
  142 02
  710 1
 4734
 ---------
 $5,602,689
```

# ARTICLE V.

OF THE

## CONSTITUTION OF THE UNITED STATES OF AMERICA.

---

The Congress, whenever two-thirds of both Houses shall deem it necessary, shall propose Amendments to this Constitution, or, on the *Application of the Legislatures of Two-Thirds of the several States,* shall call a convention for proposing Amendments, which, in either case, shall be valid to all intents and purposes as part of this Constitution, when ratified by the legislatures of three-fourths of the several States, or by conventions in three-fourths thereof, as the one or the other mode of ratification may be proposed by the Congress.

# THE EQUAL OPPORTUNITY AMENDMENTS.

---

**These afford the Remedy by their self-governing, inherent Legal Force, and are Logical, Practical and—Practicable.**

I

*An amendment to the Constitution that will force all corporations transacting business between the States, to apply for a National charter to enable them to operate their affairs, after a certain designated future date. To obtain this charter, it will be necessary for the corporation to produce an inventory of its Actual Capitalization at the time of application. This being properly accepted by the National Commission, the corporation will then be permitted to transact business and to declare dividends on its Actual Capitalization, up to a limit of ten per cent. per annum. All excess income above ten per cent. per annum to be expended in betterments of the corporation's property for the public benefit, or in higher wage for labor and lower cost of price of commodity or utility; otherwise, it must accrue in cash to the National Government. The Government is still to retain the power of veto rights as to excessive salaries paid to officers, excessive Cash Capitalization in the corporative treasury, and as to any arbitrary action that may be taken by the corporation against the community.*

## II

*An amendment to the Constitution to adopt the Progressive Income Tax, with its natural limitation of income placed at five hundred thousand dollars per annum, as suggested by the tabulation in this volume; to the end that a natural dissolution shall be effected between the producer under unjust tribute, and wealth centralized, whereby, those who have centralized wealth by the scheme of Watered Capitalization, shall be rightfully taxed as to their income, with other men, but can still obtain full value from the community for property sold. Future income produced shall be retained by those who produce it. Each and every man will thus receive his just earnings by the automatic action of the law, according to his capabilities. Owing to the operation of the Limitation of Income, there is no power whatever that can exact an unjust tribute from any man in the purchase of commodity, or the price paid to labor.*

# THE LIMITATION OF MONOPOLY FOR PUBLIC WELFARE.

Corporations at present do business under charters granted by a state government. These charters are obtained to capitalize some form of inert wealth; therefore they are practically used for the promotion of Watered Capitalization. Under this plan these corporations are permitted to transact their business affairs, not only in the State of incorporation, but also with the communities in other States. They are governed not only by the laws of their mother State, but other State laws, as well as by the National law. This enables corporations to take advantage of all the subterfuges and the technicalities, produced by discrepancies and contradictions of all the laws governing the control of corporations. It must be a desirable law, that perforce of its own legal power, would govern combinations of capital and labor for benefit to accrue to themselves as well as to the consumer; they all forming the one community. It is absolutely feasible to add amendments to the Constitution, so that the National Government will have the authority directly from the people, in their majority, to protect them by law in what they may deem is not only just to each individual, but in all their transactions between themselves. The amendments advocated are two. One to control the corporation and its capitalization, and the other to enforce the Progressive Income Tax with its natural limitation of income.

Corporations, to transact their business amongst the several States, should be compelled to do so under a National charter with a

limitation of income of ten per cent. per annum. To obtain this charter it would be necessary to file, with the United States Governmental Commission at Washington, an inventory of the Actual Capitalization, under which, the corporation desired to transact its business affairs. What is meant by real capital is the real, and personal property, appraised necessary to do business, all of which is to be valued in a liberal manner, but not in any way excessively or beyond reason. Its chartered rights and franchises to be valued on present worth, and not upon what they are likely to be worth years hence.

An individual merchant, at the end of the year, invoices his assets and his liabilities, so as to find his actual capitalization in his business. Upon this basis he goes to the Wholesale Markets to replenish his stock. He finds that the credit man of the firm, from whom he buys merchandise, scrutinizes his statement of capitalization very closely and, as a rule, places a discount upon its net results. If he obtains credit from the firm, it is because his capitalization is sufficient for the purpose intended. A corporation applies to a State government for a charter to use its inert wealth, and agrees to furnish capital for development. Instead of doing so, they start business with Watered Stock Capitalization, and what cash money is in the treasury of the company, is represented by a bond issue, and is therefore, a liability to begin business with. If this company transacts business affairs with an individual, who has actual capitalization to promote his business, and it charges him a rate that will produce a dividend upon this Watered Capitalization, then this individual is compelled to pay an excessive charge for service, in order that the dividends can be declared upon fictitious capitalization.

This can only be accomplished by unjust monopoly in the power and possession of an incorporated company.

It must be considered that the real inventoried capital makes that capital fixed and property accumulated from excess income cannot be recapitalized, for it belongs either to the community for their advantage or to the National Government in Cash. Corporations would be and should be, encouraged, so that by combination of effort, all men can unite for the public good, and they should have the privilege, under reasonable management, to make rates and prices that will return to them the limit of income upon actual capitalization. It would be a great saving to the community, if, by paying a ten per cent. return upon real capital employed, they would have all the benefit of any excess income, and the good results of such a combination. It must be remembered by those who would take exception that a ten per cent. dividend is too high, that the savings of the people could be utilized, and in proportion as income was extracted, it would pay the income tax in the proportion as advocated, so that all incomes and benefits would be equalized as to each other, and no one could find fault except the extremely selfish individual.

It is reasonable to suppose if corporations desired money for development of their enterprise, that by offering new stock from the treasury, at par, the savings of the community would be poured out to them in a steady golden stream. The opportunity to receive an income, up to the limit, according to the management and with absolute security, owing to excess income constantly being expended in betterments of the corporation's property, must be granted as good in principle. Even if by chance too much value were granted to the

capitalization of a corporation, this excess would be made good by the excess income derived. Under this plan, corporations would have a safe harbor, of which they are now deprived by the Sherman and Elkins anti-trust laws.

The main intention of these two laws is to forbid the maintenance of a monopoly in restraint of trade by groups of men organized for that purpose. The adoption of these two amendments would naturally preclude the necessity of prosecution under those measures, for the reason that their purpose is to give absolute justice simultaneously to the corporations, to labor—both organized and unorganized —and to the consuming community.

The Corporations' main selfish instincts certainly are to form monopolies of their special commodities, as against the rest of the community. They forget that the community is the creditor and the corporation is the debtor. They do not reason that they apply to the community for credit to take from its resources when organizing, and, that all property undeveloped belongs to that community. If they desire to tap that wealth, the community should have the right to inquire what they possess as capital to operate, in a business manner, for the preservation of property. Under these circumstances the community has all the right to propose and to fix laws for its own protection. No one has any right to demand the control of another's property. The proposition of advantage, in the use of wealth by its owner, produces the equilibrium between the two forces of possession and desire. Confiscation, because of power possessed, will only react upon the power exercised. No one in any way can change natural conclusions, and all must submit when natural law is carried into effect.

It must be evident to all reasoning men that the proposed amendment, to control National corporations, would do so from its own inherent power. It would of necessity, by its own ruling, in governmental value, compel all corporations to obey a fixed law. Under this law the Government would still retain the veto power as to excessive salaries paid, and as to excessive cash capitalization unused in the treasury. The National Government would see to to it, as it does now in its internal revenue department that the law would be duly and properly administered, and that which is its due, collected.

It would also convict crime against this law precisely as it does under the law of counterfeiting the national currency. Counterfeiting is recognized as a crime against the community. Why should not robbery of the community's wealth be also as great a crime against that community as counterfeiting? In no way could any corporation or individual evade these laws for personal benefit. They are absolute. They are complete. They rule for all men in proportion to their capabilities. No man could desire more. No man would be content with less. They give justice to all men alike and men perforce of it, must give justice to all men, and they by these laws, are without power to deal unjustly with other men. The same reasoning force exists in the power of the proposed amendment for applying the Progressive Income Tax with its natural limitation of income. Centralized wealth has been gained entirely by the aid of Watered Capitalization. Without it, it would have been impossible for any man to centralize a million dollars. The possessor of large wealth has gained it by the aid of our past laws, and if there be any fault it was produced by the power of

past legislation. All men placed in this position in business or effort, would have acted just as our noted financiers have done in the past, up to their capability of brain and physical force, to accomplish the end which their reasoning power desired. If this be so,—and the powers of men change as the years pass on—it is consistent to believe that no man or community of men, would consent to continue a co-partnership of the past, if it was discovered that one side had obtained an unequal share.

The effect, seen in affluence and poverty, is produced by man in his determination to maintain a monopoly of some common necessity; therefore it is necessary to decentralize that which he gains by his selfishness, thus placing his injustice under a just tribute, by a law enacted by the majority vote of a community, in its determination to see that exact justice is given to all of its members.

Under the law of these two amendments, the result of forcing the excess income extracted from the public by a corporation, or individual, could only be used mainly to pay back the excess to those who labor or produce raw material. If excess income is so paid, then the more labor is paid for its work, and the higher the cost for original development from the land; it is easily understood that the more prosperous must be that community owing to the spread of income to the many, rather than if that excess income was centralized by the few, and those few gaining it by the unjust scheme of Watered Capitalization. The wealth of this country was entirely produced from virgin development. The question that must be answered, is simply to whom does it rightly belong. Each and every man can easily see this by the following situation. On the one side range labor and its production; on the other side stands the schemer

who promotes the plans of the corporations. Does this promoter produce any value? The advocates of the promoter will undoubtedly advance the argument, that it is through his ability that labor is intelligently controlled, and that there is a saving of human effort from the result of his plans of development. For argument let us grant that this is so, the question would then arise, should he be permitted through and by his scheme to place himself in a position, by and under which he and his, are made rulers of men to the end of time? Labor which absolutely produces the developed wealth by its toil, should it be placed in a position of subjugation to the few, who will use their power to the utmost, dictating the wage and the price to be paid by the future community, for the utility or commodity necessary for the life and happiness of that community? It is undoubtedly just that the promoter and capitalist, shall receive their proper return for the work they do, as well as those who toil, under their direction. One must remember that the original property was not theirs. It belonged entirely to the community, which has a right to know how its property shall be used. The capitalist has idle wealth to employ, and should ask the community the terms under which the property could be used. Under these two amendments they state clearly, and distinctly, the absolute terms. The capitalist would be secured in his investment, owing to the privilege granted of earning a ten per cent. annual dividend. Can any one assert that this is too poor a return for money invested, when the capitalist realizes that excess income above ten per cent. must be expended in the betterment of property, which year by year makes his capital invested, so much the more secure? Is this not more just for all concerned, than the present system, by

which an enterprise can be promoted by an unjust law of States like Maine and New Jersey? In these States an incorporated business is organized by issuing first mortgage bonds for all the cash capital given to its treasury, These bonds are entirely for the benefit and security of the promoters and original stockholders, The stock issued is all water. To investigate all general corporations, as originally organized, this result would always be found to be exactly true. The purpose of this is to sell to an unsuspecting public this watered stock, which cost nothing to the original promoters. This is a fraudulent proposition on the face of it. This is a question the community must answer for itself. There is to be no evasion, as events are so crystallizing, and an answer must be returned,—either a further Russianizing of this community by centralized wealth; or, American freedom by a dissolution of this unholy co-partnership!

If these two amendments were added to the Constitution, it would be the same as an absolute dissolution of partnership between two men. One partner has been scheming to produce selfish effects without even asking the consent of his partner. The other partner resenting the injustice would naturally call for a dissolution of the firm, under the laws of his country. Who would, or who could, blame such a man for demanding the rights he possesses? The situation would be the same under the basic laws proposed. The reason for this is, the corporations would be entirely controlled under such a law. There could be no evasion by the corporations. They all would be compelled to do a legitimate business, and to receive a legitimate profit, upon their investment. They would be compelled to be honest to the community, who gave them permission

to use their property for a special privilege. The entire community would be benefited by the combination of a large and sufficient capital and the combined employment of men, each man in his position of trained systematic work. These would receive the highest possible pay owing to the use of excess income in the employment of producing better facilities for the public's good. Taking the two combined, Capital and Labor, both striving for betterment for all concerned, is it not conceivable that this would be for the greater prosperity and happiness of all than the mean and narrow present system under which everybody practices deceit for personal profit? A prayer to heaven is the only resort for the unfortunate who happens to be caught between the mill stones of selfish success and unfortunate misery.

The more wealth that a man has centralized, by the aid of Watered Capitalization, the less he would be inclined to be limited in his possibilities, by those from whom he extracts his income. His natural inclination would be to confine, by limitation of power, the class which pays tribute in the price that it pays for commodity he sells, and the price he pays for labor and what he individually purchases. The more unlimited one class becomes, necessarily the more limited the opposite class must be. This is a natural law which no one can controvert. It operates in all ways pertaining to things material, so much so in our financial situation, that one class is constantly growing richer, and the other class growing poorer.

What gives this country prosperity is the virgin wealth of the earth, continuous in its development, When the progress of such development reaches its natural end, then we shall see growing Poverty staring in the face of a hopeless population. It is the reasoning brain of man that gives him the power to arrive at the

proper solution which controls the limitation of possibilities proportionate to all men. To do this, man must be selfish in his unselfishness. Selfish to maintain his own self-sustaining force, yet broadly unselfish to maintain the lawful centralization of the community in which he moves and is a part. The more the equilibrium of the limitation of possibilities is maintained, the more an equality of possibilities is distributed amongst all men. Thus in the advantage and wealth produced by the community, each man would have an equal chance to obtain his position, based in a proportionate way as to his capabilities. This is what is meant by the Jeffersonian doctrine of "Equal rights to all men and special privileges to none." This can only be realized by a proper basic law as an amendment to the Constitution, and it is entirely in the power of men by the right of their majority to enact such a basic law. Each man who is a voter must consider this in his selfishness, and decide if he desires self-protection. The Constitution gives every man exactly the same power to form the law of to-morrow. Why should not every man act and vote in the way his reason dictates? Who is to say, "You are my subject"? Who can dictate to other men under our constitutional laws? Who usurps the position of ruler amongst men in our community? Organized centralized wealth, in a Hamiltonian way, has seized this power by secret and insidious machinations. If the reasoning sense of man tells him that this is so, then it should be the duty of every man, at the first opportunity, to obtain a new dispensation of justice amongst all men in the community. Otherwise the subject man would pass on to his descendants to the end of time, the same tributary servility, with an ever added burden, that he now bears in the purchase of commodity and the price he receives for his labor.

## WATERED CAPITALIZATION.

Watered Capitalization was conceived by fraud and born of iniquity. The real intention of the promoter, was not to produce an honest investment but a piece of paper, the only cost being his effort to write a value on it, and dispose of it to an unthinking public; also, to banks and insurance corporations, or to use it as a security for loans from banks. The issuance of this valueless piece of paper was a crime permitted by the public community, which did not realize its possibilities. There is always a reckoning day for crime. But alas! this error will be lamented and paid for by the great mass of American producers.

The panic of October and November, 1907, only shows the nation what is coming; for the promoter, having sold his paper and received in return the good, hard cash in gold or currency, has retired with his ill-gotten gains. The public, the banks and the insurance companies, hold the paper of Watered Capitalization. The panic was caused by the depositors of the bank suddenly wanting their money. It must be understood that a business firm deposits its surplus cash in a bank from the actual capitalization it uses in its business; also the savings of those who toil are deposited in banks,—both for their own accommodation. It must be remembered that this is cash deposited, and that they have the right of instant cash withdrawal.

The banks do business for profit and they necessarily must invest depositors' money in stocks, bonds and mortgages upon real

estate. Outside of saving banks, the greater part of the cash deposits are invested in stocks and bonds. Stocks and bonds in this country mean pieces of paper to anticipate a future wealth to be produced by some coming generation. Consequently, this piece of paper's only value is what some one upon the New York Stock Exchange will pay in cash for it. The broker of Wall Street does not buy this paper for his own investment, but simply operates as a broker for the sale of it to an investing public. A business man who deposits cash in a bank or a toiler his savings, seldom realizes that his money has gone for investment in paper of no value, nor does he comprehend that a generation still unborn, will be under tribute to pay for it, by the production of wealth from the earth's storehouse, belonging and given to the community by the War of our Revolution of 1776. There will come a time when this business man and this toiler will demand their cash deposit, and will not be content to receive the pieces of paper that the bank has bought for their money deposited. The bank's only resource will be to sell the securities it bought, in the New York Stock Exchange. If there is no one there to buy, the bank must fail, and have a receiver appointed.

In the panic of 1907, no market was found until for self-interest to protect financial investments, Mr. Morgan and Mr. Rockefeller, bulwarked by enormous cash possessions, commenced to buy securities at the lowest quotations, and purchased stocks and bonds which they had sold previously at much higher prices. They induced the Government, by the aid of the Secretary of the Treasury, to advance and deposit many millions of gold to National Banks, to furnish currency for loans to the gambling brokers and exasperated and panic-stricken business community. They started a hun-

dred millions of European gold to their support. They surely stopped the panic and gave equilibrium to American finance. Suppose the Government had been where it was in the years 1893 to 1898. It could supply no gold then, for it was a buyer itself. Suppose self-interest had been absent in men made enormously wealthy by past sales of Watered Securities and there had been no one to bulwark a stampeded market? What would the banks and insurance companies do, if there were no market to sell originally worthless paper, which could only be made valuable by an unjust charge for the price of commodity, and an unjust earning price given to American labor? The community, with an awakened reason, would demand a reckoning and a settlement. Banks and insurance companies would be forced into the hands of receivers; their assets being watered securities, the loss would be sustained by an unthinking public, which permitted, in its ignorance, the issuance of a capitalization, that they knew at the time had no real cash value for capital in the treasury of the corporation.

The banks are demanding an asset currency bill, based upon Watered Capitalization, as a security for currency in times of stress.* This currency to be guaranteed by the United States Government, which will hold the Watered Capitalization for the Government's security. If these securities cannot be sold upon the public market, the crime is but passed on to the Government, and if the Government incur a loss it must raise the deficit from taxation. Therefore, asset currency is only a snare, a pitfall to be used by cornered banks in their extremity to force the community as a whole

*This demand was met by the Aldrich-Vreeland bill, enacted by Congress, May 31, 1908.

to pay for misdeeds committed in the past. Congress can legislate a bill for this, or a bill for that, to doctor up a bad proposition. In the end there must be a dissolution of partnership between the people and those who have gained the country's wealth by the aid of Watered Capitalization. A dissolution that will give all of the people their rightful due, permitting none on account of their craftiness of brain to obtain that which belongs to others, and forcing all men to give unto others what is justly due to them. This would efface all Watered Capitalization, business affairs could be operated fairly and with assured cash capital in investments, that all would know were perfectly secure, the dividends on which are sure to be justly declared. The corporations will be compelled to issue the dividends in order to prevent the cash represented by them from going into the coffers of the Government. This is no dream, but actual reality. It only waits the reasoning assurance of an awakened people, for its accomplishment.

What is termed Watered Capitalization must be considered with justice to all concerned. In the individual who finds himself in a position to demand from a community, all that that community is able and willing to pay in exchange for that which, under the law, he owns as a monopoly, for the advancement of the community as a whole, it is commendable when he delivers his property to those who are willing to give the agreed price, for the purpose of changing it from a raw state of material to a finished product for the general good of mankind. Right here, it must not be forgotten, that the accidental ownership of monopoly in land has surely given fortunes to the favored few in a community. Those who are so favored entirely forget that every dollar which they have received, was

losses; but, there is one self-evident fact, their power to make the public lose has passed away, never to return.

The four forms, under which wealth is enmassed by Watered Capitalization are as follows:

First.—Land possessed, which either is vacant or used for farming, around or upon which, a future community by natural conclusion desires possession to centralize population, and which is compelled to pay, to the utmost, what the monopoly of ownership demands.

Second.—A mine of metal or mineral discovered, for which the monopoly of ownership demands—under the compulsion of necessity—the fullest price, from the community.

Third. A stock or bond certificate, representing a value, but in itself only a piece of printed paper, worthless when issued, and intended to ensnare an anticipated wealth, to be produced by a future community.

Fourth.—That which an inventor rightfully acquires by the right of his genius, or exertion, in producing that which benefits society; by virtue of which he demands from his monopoly of discovery, a portion of the value the community produces because of the invention.

The inventor is limited in his monopoly to seventeen years. The others, unfortunately for the community, have no legal limit. The ownership is based upon the principle expressed in the well-known phrase, the "Divine right of kings," and therefore tribute must be paid by that class of people, who originally produced the wealth.

The basis thus made clear, a member of this community, for himself and for his posterity, must not only act quickly but firmly to find the solution of this grave position. If he views it either from the standpoint of duty devolved upon him, by the framers of the Constitution of the United States, for the benefit of the community as a whole; or, from self-interest to free himself from paying a tribute upon wealth, which he and his forefathers helped to produce, he must then vote for the proposed amendments to the Constitution that will bring about, by the automatic action of the law, the desired results. There is now no basic law by which the Congress or the legislatures of the several States could produce this effect, and legislation proposed could not possibly escape criticism and judgment from the courts, adverse to that which is desired. It would take years before the Supreme Court of the United States could render judgment upon questions brought before it for decision, and then it would naturally decide favorably as to some questions, and adversely as to others; so that in the meantime, centralized wealth, by its tremendous power of accumulation, would still go on producing a higher cost for commodity to the consumer, with a resultant lower price paid to those employed, who produce the necessities of life.

The excess income of centralized wealth must be employed and therefore, it is used to buy other people's property and to issue new stock certificates; these are paid for by the excess profits gained by exorbitant charges to the community from monopolized corporations. It is thus seen that the community is ever paying an increased interest or dividend upon watered securities; and, as this tribute is paid entirely from toil, one can readily understand that the monopoly makes the price to the consumer, and the pay to the producer; this power gives the owner an annual percentage of return upon

a watered security. The owner's entire work is at his desk, scheming to gain other people's property, produced by toil, and capitalizing it to his own advantage and employing it to work as a slave driver, with no soul, no conscience in its demands upon those, who from necessity, in order to live, must slavishly submit to its extraction.

The present legal mode of capitalizing excess income, would naturally Russianize the American people. In Russia the power is autocratically and absolutely controlled by the family of the Romanoffs. Through circumstances they have centralized this power for the past eight hundred years. Up to 1872 the vast majority of the inhabitants of Russia were serfs to the land, and today only one in one hundred can read and write. This deplorable position, in social and political life, makes them powerless to free themselves from the monopoly of ownership. Shall it be said that with education and free intelligence, the American people will not be as brave in this generation as those of 1787, who fought so determinedly to give future Americans the rights and freedom, under the Constitution, that the people of Russia may never enjoy?

It is said that the corporative wealth of the American people is now controlled by seven families. Under perfectly natural conditions, by the rule of the survival of the fittest, the future may make it but six, and then but one. If this is the natural conclusion this family would become Dynastic in its power. If the people of the United States were compelled to humbly submit to its exactions or starve for the want of an occupation, then it certainly would be dynastic. By its power it would nominate and elect any candidate to any office; and it is not beyond imagination to see the President of our land its puppet; nor, see an army, may be of our colored citizens or whites, willing to sell themselves for pay, enforcing the

edicts of the monopoly owned by this dynastic family. It would be but a short step to civil war and the abrogation of our Constitution under dictatorial power. The financier has proven absolutely, that he possesses unto himself every advantage that will centralize to his private benefit all of the savings of the community. Whether morally right or not, he only assures himself that he must commit no illegal action. He is dreadfully afraid of the penitentiary but not of his victims' curses!

## LIMITATION OF POSSIBILITIES.

Ever since history began, there has been a limitation of possibilities to all human beings. Adam and Eve were limited to the joys and pleasures of the Garden of Eden in the very commencement of biblical history. They could have all they desired but the fruit of the Tree of Life. They were limited to the exclusion of its use, and their disobedience caused their expulsion. Early ancient history records the limitation of all men under the existent autocratic and despotic ruler of men, and even that ruler was limited by the envy and jealousy of his contemporary rulers in adjacent countries. To the student of history and science, it is easily understood that from the very commencement of living form, all dominant force in nature aroused another power in the use of that force, to combat, to regulate and to rule its possibilities of selfishness in the downward history of time. Previous to the Christian era, all men physically and otherwise, were absolutely enslaved by the limitation placed upon them by the ruling power.

In 494 B. C., the Plebeians, in their might of united force revolted against oppression, and the patricians in the selfishness of their power made terms with their former slaves, and permitted the establishment of Plebeian tribunes. By this, the slaves of men found security and better treatment, and had some sort of justice given to them by their masters. Thus, first was established, by the force and power of the lower class of men, the principle of the limitation of possibilities to a higher class of men. Thus Roman law came to

be adopted, which recognized the principle, that all men had rights that others were bound to respect as to each other,—all dwelling in the one community. What followed is a matter of history. For the next four hundred years men dwelt in greater security with each other, until centralized power was the result of this combination. That power was in turn seized by Julius Cæsar, who created imperial Rome, in the days just before the Christian era. In the blind and the selfish egotism of a Nero, it soon became a disorganized, anarchistic nation, and a curse to all classes of humanity. The limitation of power became truly anarchistic in its possibilities; it produced the district feudal lord, who, in his power over his domain and his people, was absolute to the most extreme degree. With this came the Christian Church with its enthroned power sowing the seed of the tenets of the New Testament as proclaimed as divine by the Christ Himself. The pure socialism of the teachings of that everlasting book, are ever more powerful for good, as generations of men and centuries of time pass on. They teach a pure desire for control, and never from a selfish standpoint of individual rule. The principle of giving as the action of the widow's mite, either in charity or taxation in support of government, has never been controverted, and will be accepted by future generations of men, in an ever increasing ratio. "All things whatsoever ye would that men should do to you, do ye even so to them."—Matthew 7:12, has always been recognized as the true principle in the dealings between man and man.

Coming down to more modern times, we find that King John of England was forced to give "Magna Charta" to his rebellious nobles, by the aroused power of a united class. They forever took away from the ruling royal family their inheritance of might over

men, established by their royal ancestors. It is now recognized, that from a community's standpoint, it was absolutely right to enforce this action taken by the united nobles who were then the feudal vassals of their ruler. King John, no doubt, signed this instrument with reluctance, and the same applies to-day. The Czar of All the Russias could not be induced to sign a constitution along the lines of the one in existence in the United States, except under the compulsion of a superior force. That force to make itself felt must of necessity be united in its demands. To obtain equality and justice the community must see the unselfishness of its desires. Unselfish action by man will be supported by all men if by means of its execution, it will obtain the good for all men by such action. Therefore it is necessary to advocate a principle that will affect all men equally as to their possibilities.

In Europe, class rests upon class, this system having been built up by the civilization of the past three thousand years. As one class stands upon the shoulders of a lower class and in turn supports one that is still higher in social position, it is easily comprehended, that a man who, by natural ability, forces his way upwards, must of necessity displace some one above, who in turn must either go higher or sink lower in the social scale. The reason for this condition of affairs is, that Europe is a developed continent and social positions are fixed by custom and laws made in the past. We in the United States, as a community in Solidarity, are only now forming our position by custom and by law, for the reason, that our country is still undeveloped. As we advance in civilization to its apex of completeness, we must of necessity either form ourselves into classes, or, give equality to all men before the law as originally intended by the framers of our Constitution.

All gratuities and income derived by man must come from a consuming public, which, owing to the necessity of its existence, must use a commodity or a utility appertaining to such necessities. Man is limited by his very nature to pay tribute to some other force. He cannot avoid it. He would die and disintegrate if he did not struggle to live, from the moment of his birth, until, owing to the natural forces of nature, the time arrives when he must die. From this recognized fact of nature, the smart brain of finance has developed a force of action producing a scheme, or rather a trap to ensnare man while seeking for that which is necessary to maintain life; also to take from him by toll a certain part which he, in his turn, had extracted from others in the community, or from labor and toil in the development of natural wealth, held in store by mother earth for the use of developed intelligence. If man could forget his selfishness, and work with other men upon the socialism of the divine words of the Christ, there would be no need for other laws. But man, forgetting what is due to other men from him, seeks ways and means to accomplish selfish desire, and it is thus perfectly natural that a united force arises from time to time in history, which brings forth revolutions and civil wars, until the exhausted side gives way to those who are victorious. For a time, the laws and rules laid down by those who are victors must be submitted to; just or unjust, they must be obeyed. How England, France and Spain have ruled upon this Western continent is matter of history. With us England ruled with the object of English advantage and for a revenue desired by selfish interests at home; she attempted to force us to pay "taxation without representation." It was perfectly natural that revolution came and could not be avoided. Previous to 1776 the existing community did not desire war or even separation from the

mother country. The natural force of England's dominating power with its Colony produced that war. No power could be raised to prevent its own natural action. After eight years of struggle the American Colonies won. It proved to be the necessary force to bring about the dissolution of government; we became an anarchistic community trying to be governed by separate sovereign states, jealous of each other's power; but thanks to an ever-guiding Providence, a combination was brought about by the force and character of men produced by the evils of war, which gave us a united government under an agreed Constitution. A Constitution wisely worded with undying sentiments of unselfishness, for the good of all, and justice toward all men. This Constitution has been amended from time to time as events have made it necessary; and well it is that by virtue of Article V, men in their united action can with ease add an amendment by and through their pledged Governors, Legislators, and Congressmen; can pass such an amendment by the combined power possessed in its majority vote of the legislatures of three-quarters of the States. They, acting in unison, *could* bring forth a new basic power to control those, who, in their selfishness and power, have laid the vast majority of their fellow men under a heavy and lasting tribute. With many billions of watered stock capitalization, produced since 1870 alone, and sold to the American community, upon which an interest and dividend must now be paid, it is easily understood by all reasoning minds that original toil in its production must pay this tribute. This has been placed upon the toilers of men, by the scheming brains of finance, which have ambushed the flowing wealth of production and have centralized it en masse, knowing full well the greater the mass the greater in an ever increasing proportion that mass shall be built up. Of necessity, due to primal laws

of nature, all the lesser masses of wealth are compelled to gravitate to the larger one. Our own system of the universe proves this to be true. Assenting to this as a fact, would not one arrive at an absolute fore-knowledge that if present laws were to continue as they are sooner or later one family in its centralized position of control of corporative wealth, would be in absolute dynastic power; limit the possibilities of the rest of the community in its development; and make it possible for this dynastic family to extract from the community all of its earnings from toil? However, a necessary existence to the producers would be allowed so as to provide the necessary tribute to be paid, to satisfy the selfish desire of those in power. This is a question each man in the community must consider for himself and his answer must be final. If he desires the present system, all that is necessary is to be satisfied with his lot, paying the tribute by an ever-increasing price on the necessary commodities of life, and receiving with thankfulness an ever-decreasing income from his toil, owing to the exactions made upon the community for interest and dividends upon Watered Capitalization.

If man so chooses, he can cast off this tribute laid on him, and the anticipated tribute to be passed on to his children for the benefit of centralized wealth. Under this argument man can reason that wealth, now centralized, was originally produced by toil development by his own class in the past. He must decide to limit the possibilities of this centralized accumulation and compel it by the force of the power he possesses, in unity with his kind, to legally compel it to pay taxation, in exact proportion, as he does in his own income receipt. This same man can also feel that it would be just to limit the increase on "unearned increment" where that income is derived from the known and recognized injustice of

"swollen wealth," which was centralized by the crime of anticipation of production obtained by others, and taken from him secretly by what is called "high finance." By this he would limit the incomes of this kind of wealth and have the legal excess sequestrated to the United States treasury for the benefit of the entire community from whom it was extracted by the aid of massed wealth.

The only duty of massed wealth to its idle owner, is to collect its income to be re-invested in other people's business for its enrichment, and to ever lower the social condition of the producer. The producer has, with faith in his institutions of government, believed that the laws would protect the community. He is now discovering that the financial mind, which by its very nature is the selfish and sordid part of man, is ever forming secretly a binding force upon his possibilities. It will only require a realization of the situation when the power of united action will produce the remedy. God in His divine guidance, will in His own good time, open the eyes of the blind and arouse the reasoning force of the community's brain.

# THE RESULT OF COMBINED EFFORT.

Monopoly has always desired to exist. Ever since history began, those in power have always utilized to the extent of their ability, the full power of their advantage of combined effort, which they possess. This has produced the principle "of the survival of the fittest." It should always continue to be so for the benefit of man, and for the further civilization of the world. The "fittest" man thus produced by a community, rises to the top and is above all in the possibility of force to other men. Naturally, to retain his position with other men, he uses his power for his selfish gain. Thus it was the world produced an Abraham, a Moses, a King Solomon, an Alexander the Great, a Julius Cæsar, a Napoleon, a Rothschild, a Vanderbilt, a Gould, and a Rockefeller. These men will all be called necessities and benefits by after generations, for they blazed the way to further civilization. "Every rose has a thorn," and these great men developing the earth's resources, by utilizing the toiler in his work, have placed upon the heirs of the toiler the tribute of exaction. With each succeeding generation, this has resulted in less and less tribute exacted, as the community realized by education the reasoning of the proposition.

In the present generation, this exaction has been accomplished by indirect force, The controller of wealth and of men, realizes that this community will not permit direct taxation for the exclusive benefit of centralized wealth; hence we have the tariff and the internal revenue taxation on alcohol and tobacco. Man

does not feel taxation in the same degree, when paying a price for a commodity, when that price is produced by competition by the retailer in merchandise. In his dealings from store to store he sees the same price for each article he desires. He thus concludes the price is correct. He does not realize the tribute that original monopoly has placed upon him, and he can only do so when his net earnings from his labor have been reduced. In good times of original production prices for commodity advance all round. True, man's earnings advance partially, but not in proportion to the advance in commodity, and he begins to realize that something must be wrong. This produces the turning point in the situation, and he begins to question the position in which he is placed. It is dawning upon the mind of the people to-day, that the War of the Revolution of 1776 gave to the community of that time, and to their posterity, the earth's productions in this land of ours. If this be true, the present generation as a community must be the creditor class, and those individuals who apply to use the earth's storehouse of wealth, the debtor class. This being true it is perfectly just that the creditor dictates the terms. They are perfectly willing to make contracts that will prove a benefit to both the creditor and the debtor. Therefore if the debtor makes a proposition that is just it will be accepted by the creditor. To give the debtor who contributes a cash capital necessary to transform inert force of Nature into a finished product, a special privilege from the National Government guaranteeing his right to an earning dividend of ten per cent. and the excess income accrued for the benefit of the creditor, does not seem unjust. This would produce a settled feeling of ownership to both parties interested and they would dwell in harmony, This would permit the "fittest" man to obtain the

position in society to which he is entitled, and remove the curse of extreme tribute he would naturally place upon all the rest of mankind, up to his possibilities. It would limit and control all men for the benefit of the community without being unjust to those who are necessary to pave the way for the world's advancement. These men of the future would receive a great deal more honor and adulation for being not only great but good in their generation, having had rare enjoyment instead of mere "dross and Dead Sea fruit." Men would then strive for the betterment of mankind rather than for mere wealth.

It is not Charity men desire, but justice. Man in dealing out justice to his fellowmen places a monument on the space of time, that will not be effaced by the rust of generations.

It would be a more reasonable proposition to permit a controlled monopoly, operating a utility or producing a commodity, than to resort to a paternal or governmental ownership by which political graft would prove more costly to the community than private profit to corporative or individual effort.

Societies and men meet in conventions to propose remedies for known economic troubles. Both are representatives of a class proposing a more or less selfish plan to better the situation.

The majority of these cures advocate governmental control or ownership of utilities. Many believe that the Sherman Law of 1890 should be repealed; others, so amended that trusts and monopolies would have no control exercised over them. It is conceded that they are operating in restraint of trade, and that some power greater than they shall determine how much, or how far, they can have freedom of action. If it be a commission it must be composed of men, and judging from the past no commission thus composed could,

or would satisfy all interests. Their decisions would be approved by some, and would be dissented from by others, and they being controlled by selfish action due to their environment, the result must depend upon whose "ox was gored." It must be granted by all, that if a set basic law can be enacted, which of itself, and of its own inherent force, can deal with all conflicting interests that may arise upon these grave questions, that must be the solution that all reasoning men desire to obtain. The arguments contained in this book are intended to prove this in the affirmative, and debate is welcomed by all reasoning men.

The United States Steel Corporation has adopted a plan of distribution of preferred stock to its employees, at a value a few points below the market price of the stock. It is sold to them upon the installment plan, and it is said that the workman receives the seven per cent. dividend, and that the Company charges him five per cent. interest upon the amount advanced by the corporation. He also receives, if he has been loyal and remains with the corporation the entire year, a bonus, for faithfulness, of five dollars upon each share owned. This he receives for five years. The corporation can very well afford to pay this bonus for it receives more benefit than the workman, in having enforced faithful employees. Let us see how the matter stands. The workman pays entirely from the savings of his hard earned toil. No man works harder and takes greater risks of action than he, and the Company receives good, hard cash from him. The Company gives him only Watered Capitalization when considered in its own original form. To illustrate, we must go back to the original organization, when it is a well known published fact that Mr. Carnegie gave to Mr. H. C. Frick a year's option on his plant, at a valuation of eighty million dollars

by the payment of a million dollars cash. Mr. Frick could not carry through his deal and lost his million dollar forfeit. Shortly after the expiration of this option, Mr. Morgan and Mr. Perkins offered Mr. Carnegie more than three hundred million dollars in first mortgage bonds for his property. The Steel Trust was formed with nearly five hundred million dollars in issued bonds for property. An issue for five hundred and fifty millions of dollars common stock, and the same amount in preferred stock. Later on, some two hundred millions preferred stock was exchanged into five per cent. bonds, leaving nine hundred million dollars of stock issued. From all reports that the public can obtain this can safely be called Watered Capitalization. If it were Watered Capitalization the entire cost to the promoter would be the cost of the paper and the effort to write the valuation upon it. The point of this transaction is the same as it is to all those whose business it is to sell Watered Capitalization to some one who, by hard labor has earned from the earth's production good hard cash money and can be induced, by veneered cajolery, to exchange his cash for paper. This, when sold to workmen of a corporation is called a "new socialism." If the promoters had placed into capital account eleven hundred millions of actual cash for stock issued, and then sold it to their workmen for their cash, then they might call it a new socialism, but, if what they sold was originally water, then in its naked truth, it must be "bunco" even if it should not be called a harsher name. The promoters, of course, believe that the assets, as they value them, have covered up in part the water in the capitalization. A reasoning man would ask by what means has this been done? It is said the tariff, of course, would be one of the causes; but, by it, the trust has laid a heavy tax upon all consumers of steel. Surely, the pro-

moters, by their toil, have not added this tariff wealth for the benefit of the corporation. By the combined effort of their own workmen, working in mass, controlled by systematic organization they have reduced the cost of production that enables them to pay dividends upon Watered Capitalization; this it must be admitted, is desirable if the result is not so monopolized by the few who must have all the benefit, and the public and the workman none. If the tariff is ever revised, so that steel productions are allowed to enter our country under a lower or free tariff, and the workmen discover that they are not receiving their just due, then the dividends could not be produced sufficient in amount, and would not satisfy the owners of these stock certificates; and those who owned them would feel the hurt which comes of buying a supposed "value," when real conditions would prove it to have been otherwise.

# TELEGRAPHS AND TELEPHONES.

Telegraphs and telephones of to-day are as necessary for human accommodation as free speech was to those of Colonial times. Unfortunately they are monopolized by Watered Capitalization created by the brains of men years ago. The original patents upon which these utilities are based have long since expired. According to the laws of this country, the blessings of these two inventions should belong to the public, to be operated by the aid of the Postal Department for the benefit of the public. If the elected officers of the government in the past, had been honest with those who had elected them, the results would have been entirely different. Laws were permitted to be made by which organization of monopoly became possible. The financial brain of a Gould produced Watered Capitalization in a hypnotic form, a small part of which, sold to a gullible public, for its cash, started the telegraph enterprise. To destroy competing companies, terrific cuts in the rate of service were inaugurated, and as the weaker forces succumbed they were consolidated with the larger company by a fresh issue of watered securities. At the present time, the survival of the fittest in incorporation rule, relies upon its monopolized organization. The securities represent hundreds of millions of value and have been issued by the Western Union, the Postal Telegraph, and the Bell Telephone Companies. Their real capital is invested in rusting wire, rotten poles and instruments of older invention. The newest and most convenient apparatus is not looked upon with favor by the companies, for to instal them

would mean expense that could not be capitalized by a stock issue, therefore, it would interfere with cash dividends of the favored few holding the old Watered Capitalization, who now look upon it as a vested interest. If investigators will examine into the formation of these companies, they will find that there was no intention to consider in any way the public community, except to place a tribute upon them by those who formed these organizations.

To-day the public are under a tremendous tribute in the price they pay for service; also by the ever decreasing pay received by those who become employees. Previous to the strike of 1907, the telegraph companies had raised their rate of service to the public anywhere from 20 to 75 per cent. They had agreed to pay their employees an advance, but through a misunderstanding, later the strike was called by the Union employees. The strike showed plainly the intention of the Telegraph companies to force a much lower standard of pay toward those in their employ. The strike also showed just as plainly, that although the organization as a union was complete, it had no power as against organized, centralized wealth. The strike and the result were a complete representation of what would happen in this land of ours, if centralized wealth ever reached such power as to abrogate the Constitutional franchise privilege of the United States now given to all men alike in this land. Clearly the conflict of power is now in progress. The Hamiltonian survival of the fittest has reached the apex of power, and sits enthroned, surrounded by legal representatives and the decisions of the courts. It looks upon its victim, who is placed in a position of tribute, not of his own consent or making but nevertheless a serf to the ruling force; feudalized by corporative organization. It now remains to be seen if the united efforts of those who produce wealth

from the forces of nature are willing to occupy the hard berth, secretly prepared for them.

Under the proposition of the proposed amendment the telegraph and the telephone companies would be forced to state to the Government the actual value of their capitalization; and they would be compelled to do business with the public upon a ten per cent. dividend on their actual capital employed. They would be compelled in order to consume their excess income to give better service by installing later and better instruments, copper instead of rusting iron wire, steel uprights or better poles, increased pay to operators (which would bring to the service a higher class of operation), and a much lower price for service to the public. If they would not do this, they would lose the excess income by its passing into the Treasury of the United States Government; there to be used for the betterment of service of all public utilities, produced and operated by National power. Under these circumstances, the owner of the cash valued stock of real property would receive the splendid income of up to ten per cent. per annum upon his investment. The employees would be receiving the full income of their earning, and the public community would be paying for the very best of service that could be provided, at a very much lower price than that charged in the past. The Government could purchase the property of these companies at actual value, and operate the service by the organization of the Postal Department. This would give the service to the public at the actual cost. If the voter reasons and elects representatives who will enact and add to the United States Constitution these two proposed amendments, the revenue collected would easily pay for the entire cost to the Postal Department for its operation. By this proposition, no postage need be charged except that on merchandise,

the Government thus transacting the express business of the community, at one-quarter of the charge for the service now paid. The public is now under an exacted tribute charged by the Express Companies to pay interest and dividends on excessive Watered Capitalization. In time, there need be no charge on telegrams, nor for the use of telephones, except nominal ones to prevent abuse, and by this free communication, and distributed literature, the entire public as a community would be raised to a higher plane of civilization. By education it is obvious what these benefits could confer in a single generation on the mass of population; it would reach a level of civilization, that under the present system would take centuries of time to attain. It is evident, by the proposition of a low charge for the use of a Government owned telephone, that the entire community would thus take advantage of the utility. The Government would then be in the position to insist that the previous year's income tax must be paid, before the user could take advantage of the coming year's telephone.

The conclusion of the Revolutionary War saw the people of this land, with a desire to be cemented together into national life, but nevertheless, all had ideas and plans as to how this should be accomplished. They had collectively inherited the land, and all the value the earth contained, as their inheritance as victors. The community as a whole had become the creditors of value. No individual or corporation, composed of individuals, has ever had the right to sequestrate value belonging to the community. Unfortunately men of scheme and brain have had laws enacted that gave them the privilege of capitalizing their chartered rights at comparatively no cost, and they have been successful in capitalizing franchise rights, and disposing of them to credulous investors, who were deceived in purchasing what they supposed were certificates

of value. They were in truth buying privileges which they, as members of the community, gave to the corporation at no cost, and the spectacle was seen of a community buying, in another form, that which it gave away. Franchise rights, charters and privileges, granted by the State or Nation, should not be permitted by law to be capitalized, unless the Government has made laws to tax franchises. If this has been done, then in justice to the corporation, it should have the right to capitalize the property up to its proper assessed value. If this had been enacted early in our incorporative laws, such watering of capitalization could not have taken place as has been accomplished by the Bell Telephone Company. In this company, millions of dollars of Watered Capitalization have been issued. The original company was organized at Boston entirely upon Watered Capitalization by the control of the patents. The territory of the United States was then divided up into districts and organized into subsidiary companies. These were all capitalized by the privileges and rights granted by the parent company; and the stock issued by the local company's treasury was exchanged for these rights and privileges, and called under the law as "Property Purchased" and the stock was sold to the public. To pay the enormous amount necessary for dividends, upon this Watered Capitalization, an excessive charge had to be made for service; and it is easily comprehended that the public, using this utility, is paying tribute to those who have entrapped it, in granting to these companies, at no cost, charters upon public franchises. The States have but little recourse to abate the power that these companies possess; but, by National power they can be compelled to do business with the community upon actual capital, and with a limited dividend; thus it is possible to absolutely control them for the public benefit, permitting a just dividend to those owning the stock as an investment.

## GOVERNMENT.

Whenever, in past ages, there has been a government established, it is for the reason that centralized power has produced it. Government has always organized itself for protection, against animal anarchy amongst people composing a community. This is a natural proposition which has gained power, as the world advanced in civilization. The burning lights in the history of all the past, are those individuals who grasped the centralized power of their times, and became rulers of men. Until education, combined with other agencies of thought, was given to the common mass of humanity, commencing with the sixteenth century, all men were abject slaves to centralized power in governmental rule. As soon as the dawn of enlightenment reached the brain of the toiler, then commenced his rejection of slavish servitude to self-assumed rulers. For this, we have had all the wars since the reformation of Martin Luther's and Gutenberg's time. This ever increasing desire to be free it has been impossible to check, and to-day the flood tide of American freedom has reached its high-water mark.

All Americans of to-day feel that something is wrong with our Governmental law. All are seeking the remedy for the good of all. Most propositions are for new congressional and legislative laws to cure and control self-evident wrongs, while others would demonstrate the theory of the Single Tax of Henry George in a new government, and still others would advocate socialism as the only remedy. To arrive at a proper conception of what is wrong, it is

only necessary to read a lucid article recently published in a well-known magazine, giving the history of the Tobacco Trust.* This plainly shows the trouble,—the crimes committed, and the power centralized in a most glaring way. Here is an organization watered up to five hundred millions of Watered Capitalization. It shows that if there were ever a dollar of real capital invested, it must have been as a loan, and was withdrawn just as soon as the public was "buncoed" into the scheme of buying the corporation's securities. From this article it can be seen that the organization is complete for the business intended. The producers of tobacco and the consumers are both enslaved and must pay the tribute of low price to those who produce, and high price to those who consume. What has been written of this trust, can be written with equal truth of all trusts. If this be true, then the American citizen is an abject slave to the centralized power of Watered Capitalization, and what is he going to do about it? This centralized power is the Government absolutely. No matter who the American votes for, his vote is worthless, as this centralized power is sure to purchase or control the majority of the State Legislatures, and just as sure, from this cause, to control the majority of the United States Senate. This is what is called the "System."

To bring these Trusts to trial before court and jury for alleged crimes against enacted laws, it must be admitted would be right and just to all concerned. If under the present laws they should be found guilty of the crime, and the penalty should be a fine, the fine is only passed on to the producer and the consumer, and the Trust would lose nothing. Our Government, the people

*Written by Charles Edward Russell. See "Everybody's Magazine" for December, 1907.

fondly believe, is intended to bring criminals against the laws to judgment and to impose penalty. It now finds itself controlled by the inner working force that centralized wealth power has secretly produced. If there be a remedy, it must remain with the people of this community to enforce it.

In all ages, reforms to throw off the yoke of servitude have come from the combined power of an enthralled people. After the victory of the Revolutionary War Hamilton would have centralized power from the beginning, for the benefit of the few, but Jefferson gave it to be controlled by the majority. The Hamiltonians, slowly but surely, by the aid of Watered Capitalization, have deprived the American citizen of governmental power, and they now rule supreme. The next move must be made by the American citizen, and it must be accomplished by dissolution of the enforced co-partnership, between the trust and the American people. It is in their power, if they act unitedly for the two proposed amendments, to bring about a dissolution as nothing else could. One amendment would destroy Watered Capitalization and force great enterprises to do business with the people, with real money capital, which would have ample protection for its investment. The other would make it impossible for centralizd wealth, by its income, to be a curse to the community, but make it an ever increasing benefit toward prosperity, for the reason that income now unjustly centralized, would be distributed amongst those who produce, each as to his capability of effort. No wrong is intended to be committed; no made wealth of the past to be confiscated; the result could only be, that the community which produces wealth would occupy the absolute position which combined power gives it. Fundamental and governmental functions would then rule supreme, and give justice to every individual and not permit

a ruthless man, by controlled power, to burden the unfortunate toiling classes with the unjust monopoly which now oppresses them. Monopoly is simply a selfish desire, which all men exercise as a scheme to entrap other people's produced wealth. If unlimited in its scope to make the price of what it purchases and the price of what it sells, it rules for selfish benefit. If, however, it is properly and justly limited, by the community who purchase and by the community who sell, then monopoly becomes the servant of a well governed people.

## GOVERNMENT AND INCOME GRAFT.

Governmental graft is a perquisite of political power given to the recipient in a secret way. No one who receives graft ever desires it to be known that he has been so favored. The entire community condemns it; but when tempted, it is only human to receive a portion, when friends and the public are not aware of it. The power of graft to consume collected taxation or to add expense to public improvements, has been demonstrated so many times, that the community as a whole rather looks forward to the next scandal of exposed graft in which some of the best members of social and church circles will be involved. There is no way to end it, so long as there are men of finance and promoters of schemes of public utilities, who can obtain from purchased or controlled legislators, the franchises necessary to establish corporations, using them to produce Watered Capitalization with the intention of selling the shares to the public. The adoption of the two proposed amendments, would cure the most of this crime against society. In the first place all corporations would have a monopoly of their utility up to a ten per cent. dividend, limited only as to competition in their special line of commodity. The legislature would be glad to give franchises to men upon these terms, if they were compelled to operate with real cash capitalization, for, they would then only be giving to capital a part of the community's inert wealth, to be developed for the good of society by the capital furnished by them. There would be no graft in this proposition but simply straightforward, honest

business effort which is accorded to all business men when they apply for credit to purchase other people's property for distribution in the location where they do business. This proposition of the limitation of income, would restrict graft amongst persons as it would take away in time the money-mad feeling from men, who now are plunging in the maelstrom of speculative effort to become multi-millionaires. There will always be the small, petty graft in social and political life, that adheres to our selfish human nature. This can only be controlled by a better public opinion, and if the community suffers from it they must take the blame, for they permit it by their silent sanction.

Income graft is different from governmental graft. Governmental graft is the secret, unwholesome and forbidden receipt of money, and seldom brings happiness or prosperity; the other is the reverse. A worker producing wealth from nature saves part of his earnings and deposits them in a bank, where it is added to by interest and further deposit savings, until sufficient money is obtained to purchase property of value, and the return in interest or rent further adds to his wealth. This is the beginning of many of our great fortunes, and it is commendable, until it becomes so large in mass or bulk, that thousands of men must work to pay the interest and dividends to an idle owner. Here the owner becomes amenable to taxation put in force by the many, for their own protection against the interest of the few. If this is not done in time the community would be in the same position as they now are in England and Ireland. Ireland suffers from alien landlordism. All the world is aware of its degradation. The danger point has arrived when a community permits its land and securities to be owned by those who live in foreign lands. In the very nature of human desire, the

foreign owner would have no interest in the land he owns in another country, except the return of value he extracts from the community occupying that land. There is no desire on the part of the tenant to confiscate the property; but, in protection to his own interest, he believes it right and just that an investor who is of or living in a foreign country, should be on a par with his native investors and that the foreign resident should pay the same rate of taxation upon income derived, as they do. The foreign investor would not invest his money if able to obtain as high a rate of interest in his own land. Therefore if he becomes an investor in our property, he does so, because of the greater income derived. It would be very unjust to place a tax upon a home investor and permit a foreign investor to pay no tax. Congress can pass laws, if the two proposed amendments are added to the United States Constitution, by which this tax can be collected from returns on lands and from interest and dividends on stocks and bonds, before the remittance is sent to the owner.

For the past twenty years it has been a growing custom for our Multi-Millionaires, to place the fortunes gained by Watered Capitalization into Trust Deeds; this action, in its very nature, is an entailment of property after death. The effect of this legal operation is to limit the possibilities of future generations, and produce an absolute monopoly for the heirs interested in the property so trusteed. This is a crime; for it enslaves future posterity, and in all justice to those men of the future who must toil to pay the fore-enacted tribute, they should have the power to tax these trusted fortunes, as well as all other estates of inherited wealth, by the same yardstick of taxation with which they are measured themselves. These fortunes, therefore, should be taxed in their income receipt, precisely as indi-

viduals are, under the proposed law of limitation of Incomes. If this is called double taxation, then the heirs should have the right of decentralization of the property, and each heir should pay his proper tax upon his share of income gained from distributed, inherited wealth.

## CAPITAL AND LABOR AND THE CONSUMER

A corporation is a device of affairs aided by the laws of government, so that business can be conducted amongst a community. It takes three component parts of the community to make it complete:

First.—The stockholders and their managers,

Second.—The workman to produce by manual labor, the commodity to be sold, and the utility to be operated.

Third.—The consumers who must buy the commodity or use the utility for their necessities.

The promoter anticipating the value of the commodity forms a corporation under the laws of a selected State. The law permits the corporation, so formed, to issue to its treasury the shares representing its capitalization. How the stock is to be issued to the stockholder, depends under what State law the corporation was so formed. In certain States the actual *cash* must be paid into the treasury for the stock. In this case the capitalization of the company would be represented by real cash capital if all the stock is so sold. With the laws of other States, however, such as New Jersey and Maine, anything that in the opinion of the Board of Directors, will represent an advantage to the corporation, can be taken in exchange for its capital stock, and it can issue from its treasury the stock for "property purchased." In New Jersey and in Maine a franchise, a charter, or the rights of an invention can be utilized to obtain the capital stock, fully paid and non-assessable to the future

owner. This stock represents no value in such a case, for if it is an invention, the inventor as a rule, reserves to himself the invention, giving the rights only, to see if the proposed company makes a success of it. If the company fails, it can be used again to produce stock to be sold to a gullible public. If it is a franchise or a charter, certainly no value has been obtained, for it has been given by the Government, and only in the event of success, will the Government obtain value in the shape of a dividend, or in taxes upon property developed. It is understood that the stockholders take no risk, except for what money has been given for stock exchanged. These stockholders have their yearly meetings to elect their Board of Directors, who in turn elect their officers and their managers. They hear the reports of the previous year's business, and receive their dividends if declared. Apart from this they are unknown; in fact, a secret body with no personal responsibilities. The elected officers and the managers conduct the business. They hire the artisan and the workman, and make the price for purchasing the raw material and the price of the finished commodity, in proportion as they have obtained monopoly. They regulate the pay to those they employ, and at all times they feel the secret string of the stockholders, while always their eyes, intellect and discretion are given to the interest which controls them. Their business is to buy as cheap as they can, and to sell as dear as they can, being under no outside control, except as to competition, and other sources of natural laws governing business affairs. They despotically conduct the affairs of business, and decline to arbitrate, either with the public consumer, or with those they employ; consequently, there is a limitation on the possibilities of those who toil and those who are under subjection

to the corporation, for the commodity they desire or the utility they use.

The community holds the stockholder and the artisan as equally necessary for the establishment of a corporation, and without one or the other the business proposed must fail. The stockholders furnish the cash capital necessary to conduct the corporation. It must pay the weekly and stated salaries, also must purchase in the open market its supplies of raw material, to be paid for as the seller, in his monopoly, demands. It must meet its weekly pay roll to its workmen, and in all cases, it must have a cash balance to meet coming engagements. The workman by his labor is equally important to the success of the corporation. He is expected to take the raw material, and form it into finished product, so that it is commendable to the consumer. If all three are in unison, all is well; but under perfectly natural conditions, they all acquire discontent in their several positions, and the result is the lowering of prices, paid for raw material or to labor; and labor in its flush of good times, protests for larger pay which the manager, under his control by the stockholders, refuses to grant. We then have the strike of the two parties in conflict, resulting in a large undetermined loss to the great consuming public. Apparently no one pays heed to the affliction the community is under. Assuredly the public has as much right to be consulted as the other two, and the question arises, how can this right be emphasized with such force as to control the other two factions?

The community must certainly invent and establish a cure for its afflictions. It is perfectly natural that it should be the judge, and control the court, under and by which judgment must be ren-

dered and executed. If it is conceded that both capital and labor are absolutely necessary in operating a corporation, manufacturing a finished commodity, or conducting a utility for consumers' use or benefit, then they must both be held rigidly to their responsibility. The one furnishes capital, the other labor. Labor has no right to intrude itself upon that which belongs to capital, and surely capital must recognize that which belongs to labor. The justice of this must be learned and conceded in order to establish what is the equity of each. The stockholders have received their dividends, and the workmen have received their weekly wage. There remain the good will, and the betterments of property owned by the corporation; to these, each should have a co-inherent right. It would be unjust for the stockholder to discharge workmen for unjust cause, or to make conditions such as to force a strike of the workmen. After a workman gives the best years of his life for the upbuilding and benefit of the corporation, surely he has some right of ownership, in proportion to his time of service, and for his faithfulness to his position. After a man becomes old and gray in service, it is a crime to discharge him, simply because a younger man at a lower price can take his place. If it is necessary to displace him for the good of the organization, then he should be paid an inherent benefit, that has arisen as he has worked. This can be determined in a just way, by the pay the workman has received. Surely the corporation in its pay to those they employ, believe that they are securing labor at the lowest possible price, as to supply and demand. The workman agrees to accept the wages paid, believing them to be the best he can obtain. If this is conceded, then the pay received by the workman will afford a just basic principle upon which can be calculated the amount in cash due him from the corporation on his call

for settlement. His call should act as a dissolution of co-partnership between two business men, and the law should so regard it. This can be accomplished under the basic tabulation of the Progressive Income Tax, with a limitation of income. It is a perfectly natural calculation, and gives equal justice to all men in their business relations. To find out the inherent benefit due a man, either upon his discharge, death, or on account of disagreement between capital and labor, all that is necessary is to ascertain the total amount paid to the workman for his entire service, square the amount, and take a millionth part of the quotient, which will give the inherent cash equity due each man. The justice of this will be acknowledged by the public sentiment of the community, which is the party most injured and to that public sentiment, both the others must submit. In this country, public sentiment is strong enough to enforce a just ending of a dispute, and it can be safely relied upon under any and all emergencies.

The ownership and management of a corporation would have no cause to complain of the cost of the inherent equity paid to each man, for it would be far less than the cost of a strike and the loss caused by stoppage of business to the corporation involved. They would be enabled to conduct business, and be compelled to pay for the future what labor, in its organization, demanded. Labor would be compelled by the settlement of the co-inherent value, due each employee, to refrain from interfering with the corporation in its management of its business affairs. Labor would also see that any unjust act against the corporation would be in a proportional way an act against its own interest, and this from self-interest would enlist its earnest support to the employing corporation. Public sentiment would surely enforce a just settlement of all con-

tracts between capital and labor, if the basic principle were entirely just to all concerned.

While this basic settlement could be applied to individuals in conflict, yet the principle is different between labor employed by corporations, and labor employed by individuals. In the affairs of business, where man meets man, and they make an engagement by and with each other on the basis of equity between them, labor can judge with a reasoning mind if individual capital intends to deal honestly with it. With capital owned by an individual, backed by the responsibility of the *owner's name,* surely such capital should have the sole management of its affairs, and so far as labor is concerned, it has no right to intrude itself upon the owners' responsibility. Under natural conditions, Labor's interference would only invite failure to the owner of capital (entrusted to individual business enterprises), and ruin to his name; his only escape would be by passing through the bankruptcy court. Workmen must realize this, when allying themselves with individual ownership, and abide by the result of their original agreement, made between capital and labor.

The advantages outlined would be many to the entire community. The plan would tend to make employees of a corporation loyal and encourage their ambition; for the more valuable their service the higher pay they would receive, the more cumulative payment they would obtain, the more valuable their co-inherent right to capital which they would inherit. It would act as an insurance fund from the treasury of the corporation to its employees, and by the legal enactment of this plan there would be provided justly, old age pensions; for a man would receive a gratuity proportionately as he had worked, when he desired to close the labors of his life. He

would have a sufficient amount, legally coming to him, which he could use either for farming, a small business, or to purchase an annuity from some insurance company to provide for his declining years. The corporation would not feel the cost as it could come from excess income, if the proposed amendments to the Constitution were adopted, and it could be charged to the expense account with perfect propriety. The corporation should establish a sinking fund account with a Trust Company or with the United States Government and lay aside yearly, the amount necessary to pay the employees their co-inherent rights to capital. When this has been taken from excess income, then the community pays the amount due, and not the corporation; and one that is well managed will see that it is paid from excess income and not from the legal limit allowed to it; It would tend to restrict excessive salaries to officers granted to them by the stockholders as their inherent rights would be excessive in the same proportion as the cumulative pay received; or, the law could place a limit at Twenty-five Thousand Dollars, for salary or wage, paid per annum to an officer or employee of a corporation; above that amount paid, in any one year, the inherent due from capital would not apply.

# PROGRESSIVE INCOME RECEIPT

## *A TABULATION*

**with the inherent right to capital directly proportional to the gross income, and income received limited to Five Hundred Thousand Dollars.**

| Tax Rate % Increase | INCOME GROSS | INCOME Inherent Due | Tax Rate % Increase | INCOME GROSS | INCOME Inherent Due |
|---|---|---|---|---|---|
| .1 | 1000. | 1. | 6. | 60000. | 3600. |
| .2 | 2000. | 4. | 6.1 | 61000. | 3721. |
| .3 | 3000. | 9. | 6.2 | 62000. | 3844. |
| .4 | 4000. | 16. | 6.3 | 63000. | 3969. |
| .5 | 5000. | 25. | 6.4 | 64000. | 4096. |
| .6 | 6000. | 36. | 6.5 | 65000. | 4225. |
| .7 | 7000. | 49. | 6.6 | 66000. | 4356. |
| .8 | 8000. | 64. | 6.7 | 67000. | 4489. |
| .9 | 9000. | 81. | 6.8 | 68000. | 4624. |
| 1. | 10000. | 100. | 6.9 | 69000. | 4761. |
| 1.1 | 11000. | 121. | 7. | 70000. | 4900. |
| 1.2 | 12000. | 144. | 7.1 | 71000. | 5041. |
| 1.3 | 13000. | 169. | 7.2 | 72000. | 5184. |
| 1.4 | 14000. | 196. | 7.3 | 73000. | 5329. |
| 1.5 | 15000. | 225. | 7.4 | 74000. | 5476. |
| 1.6 | 16000. | 256. | 7.5 | 75000. | 5625. |
| 1.7 | 17000. | 289. | 7.6 | 76000. | 5776. |
| 1.8 | 18000. | 324. | 7.7 | 77000. | 5929. |
| 1.9 | 19000. | 361. | 7.8 | 78000. | 6084. |
| 2. | 20000. | 400. | 7.9 | 79000. | 6241. |
| 2.1 | 21000. | 441. | 8. | 80000. | 6400. |
| 2.2 | 22000. | 484. | 8.1 | 81000. | 6561. |
| 2.3 | 23000. | 529. | 8.2 | 82000. | 6724. |
| 2.4 | 24000. | 576. | 8.3 | 83000. | 6889. |
| 2.5 | 25000. | 625. | 8.4 | 84000. | 7056. |
| 2.6 | 26000. | 676. | 8.5 | 85000. | 7225. |
| 2.7 | 27000. | 729. | 8.6 | 86000. | 7396. |
| 2.8 | 28000. | 784. | 8.7 | 87000. | 7569. |
| 2.9 | 29000. | 841. | 8.8 | 88000. | 7744. |
| 3. | 30000. | 900. | 8.9 | 89000. | 7921. |
| 3.1 | 31000. | 961. | 9. | 90000. | 8100. |
| 3.2 | 32000. | 1024. | 9.1 | 91000. | 8281. |
| 3.3 | 33000. | 1089. | 9.2 | 92000. | 8464. |
| 3.4 | 34000. | 1156. | 9.3 | 93000. | 8649. |
| 3.5 | 35000. | 1225. | 9.4 | 94000. | 8836. |
| 3.6 | 36000. | 1296. | 9.5 | 95000. | 9025. |
| 3.7 | 37000. | 1369. | 9.6 | 96000. | 9216. |
| 3.8 | 38000. | 1444. | 9.7 | 97000. | 9409. |
| 3.9 | 39000. | 1521. | 9.8 | 98000. | 9604. |
| 4. | 40000. | 1600. | 9.9 | 99000. | 9801. |
| 4.1 | 41000. | 1681. | 10. | 100000. | 10000. |
| 4.2 | 42000. | 1764. | 10.5 | 105000. | 11025. |
| 4.3 | 43000. | 1849. | 11. | 110000. | 12100. |

PROGRESSIVE INCOME RECEIPT.—*Continued.*

| Tax Rate % Increase | INCOME GROSS | INCOME Inherent Due | Tax Rate % Increase | INCOME GROSS | INCOME Inherent Due |
|---|---|---|---|---|---|
| 4.4 | 44000. | 1936. | 12.5 | 125000. | 15625. |
| 4.5 | 45000. | 2025. | 14. | 140000. | 19600. |
| 4.6 | 46000. | 2116. | 15. | 150000. | 22500. |
| 4.7 | 47000. | 2209. | 17.5 | 175000. | 30625. |
| 4.8 | 48000. | 2304. | 20. | 200000. | 40000. |
| 4.9 | 49000. | 2401. | 22.5 | 225000. | 50625. |
| 5. | 50000. | 2500. | 25. | 250000. | 62500. |
| 5.1 | 51000. | 2601. | 27.5 | 275000. | 75625. |
| 5.2 | 52000. | 2704. | 30. | 300000. | 90000. |
| 5.3 | 53000. | 2809. | 35. | 350000. | 122500. |
| 5.4 | 54000. | 2916. | 37.5 | 375000. | 140625. |
| 5.5 | 55000. | 3025. | 40. | 400000. | 160000. |
| 5.6 | 56000. | 3136. | 45. | 450000. | 202500. |
| 5.7 | 57000. | 3249. | 46.9 | 469000. | 219961. |
| 5.8 | 58000. | 3364. | 47.5 | 475000. | 225625. |
| 5.9 | 59000. | 3481. | 50. | 500000. | 250000. |

To find the inherent right to capital (on any gross income) multiply the wages received by itself, and point off six decimals.

**Example:**

On a total wage of $21,252, up to the dissolution of relations between the corporation and the individual workman, the share of the latter to his co-inherent right to capital would be $451.65.

```
   21252
   21252
   -----
   42504
  106260
  52504
 21252
42504
-----------
$451,647,504
```

$451.65 is the millionth part of this quotient.

# AN APPEAL TO WOMANKIND.

For many years most of us have felt that the greatest drawback to our political system—or rather, to our methods of conducting it—was that it provided no way by which we could enjoy the refining and beneficent influence of the women of our Nation during our Presidential campaigns—much less enjoy the superlative advantage of their co-operation with us in the attainment of the special political objects we have had in view.

In the campaign of this year, however, the Democratic party can rejoice that for the first time in its history, it is able to present an issue the right settlement of which will directly benefit every woman in the country. This will help her personally in her home and her pocketbook, as well as in the present advantages of those whom she loves, and also in their opportunities in the future.

Every wife, mother and sister in the land has a vital interest in any law that will secure to her bread-winner the full benefit of all that he earns, and which at the same time lowers the prices of the necessities—to say nothing of the little luxuries of life. As this measure goes farther and provides what is practically a system of old age pensions, proportionate to the length and character of service rendered by him, it is evident that every woman in the country will desire its enactment—especially when all three of these benefits can be obtained without robbing any man—or corporation—of any of the wealth he now possesses.

It is true, however, that these advantages can only be won by the votes of American citizens; and this appeal is made to the women

of the Nation because every right-minded man places the desires of his wife above the wish of any politician when he goes to vote, if the matter in hand is one that concerns her personally. If every home-keeper in the country will just press her own particular button on Election Day, the adoption of the Equal Opportunity Amendments will only be a question of time.

The principal cause of the high prices of commodities is the immense amount of profit that must be obtained by the big corporations in order to pay dividends on what is called "watered stock."

A homely illustration will explain this clearly.

Every housewife of maturer years knows that the price of meat is at least twice as much now as it was twenty years ago, while at the same time the usual rate of wages earned by her husband—if he is a worker in ordinary industrial life—has gone up very little indeed. Let us show in a small way what has happened on a very large scale.

Suppose Mr. Smith, the butcher with whom you deal, has $1,000 cash invested in his store. As he is not making money fast enough, however, he decides to capitalize his business under a charter such as he can obtain in the State of New Jersey. He obtains this charter in the usual legal way; and that legal way is that the treasury of the company hold what is called "capital stock" until a Board of Directors, composed of "dummies" from among his friends, either sells it for cash or issues it for some property which a Board of Directors has the legal power to exchange for some property that in their judgment will be of benefit to the proposed company. When this is so accomplished a record is made upon the books "as Property Purchased"—this property being that which has been bought by the Board of Directors in exchange for the "capital stock." In this way

Mr. Smith obtains the "capital stock" by transferring to the Company what is called the "good will" of his business. He now writes on a hundred pieces of paper words that make them certificates of stock nominally worth $100 each in the business he proposes to establish. At this point of the "bunco" scheme of finance, he requests his "dummy" board of directors to resign, with thanks from himself. He now calls upon forty-nine of his customers, and by the sweetest tones of cajolery, he induces each of them to promise to buy one of the paper shares. After these agreements have been made to sell this watered stock he calls a meeting of stockholders, which is himself, he still holding the hundred shares of paper stock. He elects himself as president at $1,500 a year, his wife as treasurer at $1,200 per annum, and his son as secretary at $1,000 a year. He transfers from himself the 49 shares of "watered stock" to his forty-nine customer friends. His Board of Directors, composed of his own family, authorizes the Company to issue a note for $1,000 with interest at the rate of 6 per cent. per annum for tools and other accessories to run a butcher shop. The transaction is now complete. He is organized with a capital of $10,000, with $1,000 cash in the treasury, and a liability of $1,000, represented by a note he, individually, holds himself. It is easy to see that this man has taken advantage of his customers, who will have to pay, out of their earnings, an excess profit on what they buy from him, in order to enable him to pay the promised annual dividend of 10 per cent. in addition to the above stated salaries for himself, his wife and his son.

The money paid for shares by the forty-nine customers mentioned before, he puts into his own pocket; in this way they give him $4,900 for something that has cost him practically nothing. This sum enables him to buy his meat more cheaply than he did before,

but it is impossible for him to lower his prices to the customers because he has to provide $490 for the dividend promised to his forty-nine dupes, and $60 interest on the note mentioned above loaned by him to the Company in a legal way—as also the $1,000 loan, besides the three salaries—the whole charges amounting to $5,250. And even this sum does not include the $510 of dividends upon the fifty-one shares left in his hands—which dividends, of course, all go into his pocket.

The business runs successfully for a year, and the monopolistic position that the Company occupies in the neighborhood enables it to pay the whole of this money (except the $490 to the forty-nine shareholders), to Mr. Smith, Mrs. Smith, and Mr. Smith, Jr.; all of which comes out of the wage-earners who patronize the store.

In this way Mr. Smith receives his $1,000 back in cash and its interest, salaries for himself, his wife and his son; and $4,900 from the people who bought shares; while the control of the concern given him by the possession of the fifty-one shares left, keeps his forty-nine friends and all the families in the neighborhood in servitude to his exactions all the time, for under the present laws there is no way of release for them.

The only remedy would be to tax him, upon the income he receives from his tributary vassals, an amount that will make him pay, on his income receipt in exact proportion to the sums paid by each of his forty-nine friends on their individual income receipts. This proportionate taxation would naturally even things up between him and them.

Now, any woman can see from this story—which only describes what is being done every day—why The Smith Meat Company *must* advance the price of meat all the time, while keeping

its own pay-roll as small as possible and buying its supplies at the smallest price possible from those who sell to it the animals killed.

Now, this is a correct representation of what has been done with regard to practically every commodity needed in every house, and on a scale of millions of dollars instead of only the hundreds of The Smith Meat Company. Here is the cause both of the high price of the necessaries of life and the low wages paid to the general run of workers.

Many good, great and clever men of this Nation honestly believe that nothing can be done to remedy this state of things; but what these men have despaired of doing can, most assuredly, be accomplished by the Women of the American Nation through their husband, brothers, sons—and sweethearts—if they make up their minds to the task. It *is* quite possible to obtain the passage of two Amendments to the Constitution, set out on p. 24, which, while not depriving any man or corporation of any present possession, will do the following things:

I. Prevent any more performances like that of Mr. Smith and The Smith Meat Company;

II. Raise the rate of wages by creating a much greater demand for labor, because of the distribution of money among a much larger number of the people of the community;

III. Lower the prices of goods because the corporations would not have to meet all the charges and make all the Profit now *forced* on them by Watered Capitalization;

IV. Enable all corporations to provide, *at practically no cost to themselves,* Old Age Pensions, as described on pages 77-78.

V. Abolish all strikes, lock-outs and other forms of trouble between the Masters and the Men, as shown on the same pages.

VI. Because the Amendments will both raise wages and reduce living expenses, there will be much more money in every

household available for the education, the comfort and the general welfare of the children and womankind than there has ever been before.

The Women of the United States have always led the world in earnest self-sacrificing labors for the good of *other people* or peoples in all parts of the globe, to relieve the suffering caused by war, pestilence, convulsions of nature, or paganism abroad; and by drunkenness and other evils in this land. Surely, after having put themselves to no end of arduous toil for the good of others for a hundred and fifty years they can now be relied upon to bestir themselves in this matter, so vitally important to their own personal benefit, and the present and future welfare of those whom they love.

The Women of the Nation were largely instrumental in emancipating the Colonies from British rule; the Women of the North and the Women of the South vied with each other in a self-sacrificing devotion to the Causes they espoused—those on each side possessing a religious conviction that theirs was that of Right,—during the Civil War. The Women of the Nation, both North and South, fused into one Army of Mercy with the Women of the East and the Women of the Great West in the face of a common foe, did valiantly during the Spanish War and in the Chinese and Filipino uprisings.

All this on behalf of *Others!*

The burdens, the poverty, the heart-break universally caused, directly and indirectly, by the crying evils created by Watered Capitalization, all fall most heavily, in the last analysis, upon the Women of the Nation—and especially upon the Wives and Mothers.

The Women of the Nation have it now in their power to accomplish for themselves and all their loved ones, and for the Nation at large, a Deliverance, larger, more far-reaching, and more complete than any yet seen in the history of the World.

# CONCLUSIONS.

Up to the time of holding the National Conventions of 1908, neither the Republican nor the Democratic party has advanced policies which will remedy the problems now facing the American people. Mr. Roosevelt has recently been outspoken and plain in his presentation of the existing trouble, while for twelve years Mr. Bryan has continually and conscientiously expressed the same ideas to the public. Without a shadow of doubt the great mass of population feels that Mr. Roosevelt is honestly presenting to Congress and to the public exactly what the great majority of men have approved. His principal opponents are the reactionary elements of society, such as the brokers of the stock and other exchanges, bankers, railroad magnates, corporation lawyers, and their swarms of feudal retainers, who directly or indirectly draw their income from those who produce the *actual* wealth in their community. It can be well understood why this is so, and why Mr. Roosevelt's utterances have dammed the river of wealth developed by the toil of others from Nature's storehouse. In the past the earnings and the savings of those who toil and do business with the community, have been drawn to the stock exchange for what the public were induced to believe were stable, profitable investments. If this be called criminal on Mr. Roosevelt's part, then let it be compared with the Chicago and Alton infamy, as carried through by Messrs. E. H. Harriman, George J. Gould, Mortimer L. Schiff, James Stillman and "others" supposed to be representatives of the highest type of Wall Street

ethics in business affairs. If the one is to be condemned, the other must be upheld. If the inside dealings of all Wall Street and other corporations could be revealed—as this one by the letter (p. 91) of Attorney-General W. H. Stead to Governor Charles S. Deneen, of the State of Illinois,—similar facts as to Watered Capitalization would certainly appear to the public, which is expected to pay the interest and dividends on the paper "value" issued.

The professional politicians will, in time, exhaust their treatment of such themes as these: what a bad currency this country has produced since the Civil War; why,—or why not,—the tariff should be revised; or, should trusts be confined within limits, so that it would be unprofitable to operate them, or should they have greater freedom of action by amending the Sherman and Elkins anti-trust laws? They will then be forced to take up the discussion of the question of Watered Capitalization.

To decide the matter justly to those who are compelled to pay tribute upon capital which has no existence, the American people will call for an inventory of *Actual* Capitalization. This will necessarily cause a national dissolution between the tribute-paying community and monopoly-holding corporations. For corporations to do business only upon an *actual* capitalization means that the community will be relieved from paying interest and dividends upon a non-existent "value."

Nearly all people of to-day will admit that Watered Capitalization has been a permitted crime, and practised to such an extent that the public is now buying neither the good nor the bad stocks or bonds. If corporations were formed, under the regulation of Government as here proposed, then their stocks would be a positive reliance of value, and the entire community would be eager to

invest its savings. This, in itself, would produce an element of prosperity which this country has never yet seen. If wealth be decentralized the income must necessarily be distributed amongst a large number of men; to do this, the opportunity of purchase must be given to the producer and worker of the property now centralized by the idle owner of massed wealth. This alone would produce prosperity in every walk of life throughout the land. One only need point to France with its population of small investors, created in 1798 by the Code Napoleon, to demonstrate this fact.

The tariff question must be handled with great care, but one fact is much in evidence; in buying a foreign article cheaper than the domestic one, the purchaser makes only the saving between the two, and the value this country produced to pay for it has been transferred to another nation and cannot be returned until that foreign country, in its self-interest, buys a value of the same amount manufactured in this country. If the value created here is paid for a domestic article, then the seller makes a profit, which in turn is passed on for another domestic article, and it is reasonable to acknowledge that every time a seller transfers to a buyer an article of domestic manufacture, a profit must be made. This can only be accomplished by keeping the dollar here in the United States or making a new dollar to take its place. If the dollar is kept here to be used to buy, over and over again, a domestic article, it goes to produce American prosperity.

In the currency problem, Mr. Bryan seems to have the best of the argument, for the reason that the public which is forced to take asset currency for labor or business transactions, would prefer it to be issued direct from their own Government with its responsi-

bility, rather than from an association of banks, which are in business for selfish money-making.

When Republican and Democratic party policies are left behind, other ideas of government are encountered. The ideal theories of Henry George are still untried; the confiscation of land (whether inherited or owned through investment), in the event of the tax being unpaid, has failed to appeal to the people with sufficient force to make it a popular theory. Another scheme of government is Socialism, and what would Socialism do? As popularly understood, this form of government rule would not permit the payment of interest and dividends upon capitalistic investments. Naturally all business propositions now operated by capital would produce no returns; stocks and bonds and other property would be valueless in the possession of the owners. Those who manufactured commodities, and those who operated utilities would be displaced by the workers of production, who would charge the public the price that would net the amount due as cost for production. This confiscation of value seems unjust, for the laws made in the past have permitted such accumulation. Socialism thus stands for the confiscation of owned property, for the purpose of using it for the common good of the community. Our own arguments, as herein outlined, are for the preservation of property to its legal owners.

Socialism advocates the extinction of the Wage System; there being no money compensation for commodity and all working conscientiously each in his own special line of work, all would receive a transfer of commodity from each other to each other, to satisfy their common necessities. This book contends for the highest possible price that can be paid to those who toil by those who hire; and that all men should be paid according to each man's capability of action and worth, in the production of commodity.

Socialism desires to destroy the primal principle known as the "survival of the fittest;" thus endeavoring to make all men equal in their receipt of income. This book argues that that principle has been fixed by natural law from the commencement of the Universe, and rather than oppose it, wise men will recognize its force in its highest form, take advantage of its power, and use it for the benefit of humanity.

It would seem a good proposition when any individual found he was in a bad partnership with other men, to call for a dissolution of the firm. The two proposed amendments are intended to show how this can be accomplished. They would give the owner of wealth the benefit of past speculation, gained legally under the laws of a past community, but would at the same time show how he would be justly limited in his income for the benefit of present and future generations, as also in the use of his capital. A man has extracted an annual income of forty thousand dollars; his taxation assessed, under the proposed laws, would be sixteen hundred dollars; but it would be no more than that of the man who paid, as a tax, sixteen dollars on four thousand dollars income, or that of the man who must pay sixteen cents on four hundred dollars, that having been his extracted income. All three would pay in exact proportions—as to each other—for the preservation of their individual property and for the support of Government. And all three should cheerfully pay this moderate assessment for the mutual security, comfort and happiness necessary to every civilized community.

Capital to operate business would necessarily come from the savings of the mass of population, and not from massed wealth in the hands of the few plutocratic owners, who would use it selfishly

for their own interests. Such accumulation of wealth would only establish the principle of absentee landlordism, and that has been a curse to Ireland and other countries wherein it has been established.

With regard to plutocratic, centralized wealth producing an excess income beyond the legal limit, the owner under these laws, as outlined, would have the legal right to decentralize excess income in favor of any desired object for family or public benefit. In order to do this, however, he must execute a trust deed on property for a distinctly specified purpose, to which the income to be derived must be devoted for a stipulated time; he must also have it legally recorded and abide by its terms of relinquishment on his part.

It has been said that a limitation of possibilities as to the professional promoter and the gambler in finance, would deter them from taking chances in the development of legitimate enterprises, but this position is not tenable; for the reason that the reward rightly earned by the brains of these men would still be sufficient for them to exercise their talents, all the more, as they can rest assured that the whole community would be certain to invest its savings in a secure monopoly, their shares being issued from the treasury of the company at par.

These investments, owing to the fact that the excess income will all the while be expended for the betterment of the property of the corporation would year by year become better security for the money that has been, or will be, invested in the enterprise.

It has also been asserted that this form of limitation would disarrange the affairs of private corporations, or discommode them in operating their business by and between the different States. All

the conditions produced by the circumstances must be considered by this proposition. It must be remembered the promoters and stockholders have, in the past, desired to escape personal liability in the enterprise, and they have taken advantage of the laws of the community. These laws were mainly suggested in the first place, by selfish men, and enacted at their behest by compliant State legislatures for their special benefit, without either consideration of or consent from the community with which they desired to do business. It was a law-made business working entirely to the advantage of one side, and to the detriment of the other. The amendment proposed would correct this evil, and give to both sides an equal share in all the enterprises for production, distribution, consumption and gain to all classes of the community. It would lead business back to the original position that men, desiring to do business and draw an income from others in a business way, should come out in the open and back with their names and their money a responsibility that is necessary to such a proposition; and then enjoy a profit, only limited by their personal income tax. If on the other hand they desire to do business with a community by a corporative act, they should be willing to do it in a business-like way, If they take advantage of corporative laws, which restrict their responsibility to the money involved, then they should be content to do business as the community should see fit to direct them. In this proposition the community is the creditor, and the corporation the debtor, in their relation to each other. This would give entire freedom of action to individuals in business, to make any profit their competition would permit, and as the corporation's is a "Law-made business," the Law would naturally control its actions for the benefit of each and in justice toward all men; they forming the one community.

If any debtor desires to purchase a commodity anywhere from his creditors, his statement to the credit department to obtain a credit for a certain time of payment for commodity desired, would be an outline of the cash value of his actual capitalization, and not what he expects to possess in future years. His situation is analogous to that of the corporation, except that the latter asks more of the community than he does of his creditor. One asks for credit on his actual capital, while the other desires to base his credit upon his Watered Capitalization. If this is conceded, then it must follow that the community has rightfully the privilege of making the laws, and not the corporation. As it has been heretofore, the corporation has made the laws by cajolery, or the actual purchase of the law-making bodies of the State and Nation; and this has been accomplished without even consulting the community, much less gaining its consent. The question of moment that naturally presents itself is as to the desirability of adopting amendments to our National Constitution that will, perforce of their own action, give justice to all parties to the proposition.

Under the present laws, corporations doing business as monopolies are necessarily transacting their affairs in "restraint of trade." Under the Sherman and Elkins laws this is criminal, and corporations that are caught—"with the goods"—are brought to the bar of justice for a fair trial before judge and jury for alleged criminal acts. A long trial ensues, fought by all the energy of legal brains purchased to contend for clients who pay extravagant fees; and the corporations are fully aware that at some future time all the expense will be paid by the consumers, in purchasing necessary commodities. Under such circumstances, the community will receive no justice. The system established by the promoter and

the financier has given all the advantage to them, and absolutely none to the consuming community. Under this system exacted tribute is paid by the consumer in the advance of price he must pay for his necessities, and in the decrease of received income that his present position in life forces him to accept. True, this is done in an insidious, secret way. If the members of the community do not reason, they will not even be aware of the tribute they pay, which is surely pressing them down. Two thousand years ago, in the old Roman days, the masses of population were uneducated, and could not reason and were pushed down by their own anarchistic action into eight centuries of darkness. It is deplorable that after all the civilization of Greece and Rome, those peoples should have produced by their autocratic selfish rulers, the blackness to the human race of the times from the fourth to the twelfth centuries in Christendom. We of the United States in our generation think that nothing of this kind could ever happen to us, for we of the twentieth century can reason and by education our reasoning faculties have been quickened and they guide us for selfish or unselfish action, as heart and mind dictate.

At the same time, is it not just possible, that we are too confident? What would happen if one family by Watered Capitalization should obtain absolute, autocratic power over the rest of the population? This surely could be accomplished by the re-investment of income earned and produced by the entire community, but centralized by the compulsion of its being paid for interest and dividends upon corporate wealth, held by this one dynastic family. Is it not perfectly plain that to engage in profitable enterprises, interest and dividends must be re-invested in other people's business, no matter what price that family might be compelled to pay for the

investment? In the fulfilment of this plan the community could not use its capital, except in the minority shares of a controlled corporation, the control being held by this dynastic family. The community certainly would then be limited in its possibilities. This dynastic family would have no limitation, but the bright blue sky. This situation might well be developed by taking advantage of our present State and National laws. If these laws be wrong should not the community have the privilege of changing them for the community's benefit, and producing a limitation of possibilities against those, who by unfair, unjust means, have already produced circumstances of limitation against that community? To this proposition every man in self-defense must answer in his own way. He must reason out his position for himself. He must realize that he has the same constitutional power as any *other* man in this community. He must be brave enough to exert this power for his own self-interest. The powers which have produced this condition of affairs, say with sneer and contempt that "he will be indifferent to his advantages," and the question remains, "Will he?" The American people, ever guided by a watchful and devoted Providence, will decide their future, and—decide it Right!

"IN GOD WE TRUST."

# THE CHICAGO AND ALTON DEAL.

---

**How the Foremost Men of Wall Street Make Millions of Dollars by Watered Capitalization, at no Cost to Themselves.**

The following Letter from Attorney General W. H. Stead, of Illinois, to Governor Charles S. Deneen, of that State, tells the story of a typical transaction on the part of four "Financial Magnates," in such plain language that no comment is necessary:

April 6, 1907.

*To His Excellency, Charles S. Deneen,*

*Governor of the State of Illinois,*

*Springfield, Illinois.*

DEAR SIR:—

I am in receipt of your letter of the 22nd ulto., as follows:

"Some time ago you informed me that you had procured a copy of the testimony taken before the Interstate Commerce Commission, in the matter of the capitalization and financial dealings of the Chicago & Alton Railroad Company. Will you kindly advise me, at your convenience what your conclusions in the matter are, and what action, if any, you contemplate?"

Replying thereto, will say that I have carefully read the testimony of E. H. Harriman, recently given before the Interstate Commerce Commission, at New York.

I have examined the various acts of incorporation of the Chicago & Alton Railroad Company, The Chicago & Alton Railway Company, and the Consolidated Company, called The Chicago & Alton Railroad Company. I have also examined the records of the Railroad and Warehouse Commission of Illinois, the various resolutions, certificates and documents pertaining to said companies, on file in the office of the Secretary of State, and have obtained from all reliable sources available whatever facts and data I could, touching the subject matter of your communication.

While I shall endeavor to be brief as possible, this opinion of necessity must be somewhat extended.

## The Original Company

The Chicago & Alton Railroad Company was incorporated by special act of the Legislature of Illinois, February 18, 1861. By section 2 of the Act, the Company was empowered to acquire and take over the tangible property, corporate rights and franchises of the Chicago & Mississippi Railroad Company and the Chicago, Alton & St. Louis Railroad Company. It subsequently purchased the railroads and other property of these two companies, at foreclosure sales, and at much less than their actual values. The capital stock (par value), of the Company was $22,230,000, divided into common and preferred stock. There were 34,795 shares of preferred stock and 187,511 shares of common stock.

For many years prior to 1899, T. B. Blackstone was President of the Company and directed its affairs. Under his management an average dividend of about 8 per cent. was annually paid upon both the common and preferred stock, and the balance of the

income was put into betterments and permanent improvements, and so charged upon the books of the Company.

In 1888, President Blackstone, in his annual report to the stockholders, among other things said:

"Taking into account the loss sustained by the original corporations which constructed that part of your lines between Joliet and Alton, and operated it until it passed from their hands to yours by foreclosure and sale under the original mortgages, and the amount which your company has expended for additional property, not represented by stocks or bonds, we find not only that your company has never issued a share of stock or an obligation of any kind that did not represent at its par value an equal amount of cash, or its full equivalent of property at the time actually received, but also that the original cash cost of your property, as nearly as it can be ascertained, was, in round numbers, $11,000,000 more than the par value of the total amount of stocks and bonds which your Company has issued or assumed. * * * From the most accurate estimate we are able to make, your property, in its present condition, could not now be re-produced for a sum which would be equal to the total amount of stock and bonds issued by your Company now outstanding, the obligations it has assumed, and $15,000,000 added thereto."

During Mr. Blackstone's presidency, which continued until 1899, no attempt was made to capitalize this excess.

When Mr. Blackstone retired as President in 1899 the Chicago & Alton Railroad Company owned and operated about 843 miles of railroad. The total value of its entire property was about $39,000,000, and its total liabilities, including capital stock, bonded indebted-

ness (8½ millions), and all other indebtedness, were $39,000,000, or substantially that. These facts appear in the testimony.

For the year 1898 the gross earnings of the Company were sufficient to pay its operating expenses, all of its fixed charges, a dividend of over 7 per cent. upon its common and preferred stock, and leave a balance of about $200,000.

E. H. Harriman testified that under the Blackstone regime "the whole territory was drying up very fast and so was the railroad itself."

While it would appear to be true that the Company was behind its competitors in the matter of improvements and modern methods, its credit was good and no reason is disclosed by the testimony why it could not have procured ample funds at reasonable rates of interest for the improvement and extension of its property and lines.

**The Syndicate**

In the latter part of the year 1898, or early in 1899, a syndicate composed of E. H. Harriman, George J. Gould, James Stillman and Mortimer L. Schiff was formed, to acquire control of the Chicago & Alton Railroad Company. Kuhn, Loeb & Company were its managers. E. H. Harriman testified that as a matter of fact the Syndicate consisted of a large number of persons—upwards of a hundred—and that the four persons above named were merely its representatives. He was unable, however, to give the name of a single member of this Syndicate other than Gould, Schiff, Stillman and himself. So far as the records show, these four men composed the Syndicate, and from E. H. Harriman's testimony, it is apparent that these four men composed it in fact as well as of record.

This Syndicate (early in 1899) purchased 34,722 shares of the preferred and 183,224 shares of the common stock of the Chicago & Alton Railroad Company, or about 97 per cent. of the entire preferred and common stock of said Company. It paid $200 per share for the preferred stock, and $175 per share for the common stock. The aggregate amount paid by the Syndicate for this stock was $39,000,000. The stock was distributed as follows:

| | |
|---|---|
| George J. Gould | 54,534 Shares. |
| E. H. Harriman | 54,535 Shares. |
| Mortimer L. Schiff | 54,535 Shares |
| James Stillman | 54,535 Shares |

The balance of the shares subscribed by the Syndicate was nominally held by other persons, some of whom were made directors.

On April 17, 1899, the Syndicate elected a new Board of Directors, as follows:

| | |
|---|---|
| E. H. Harriman | James C. Hutchins |
| J. W. Doane | William A. Simonson |
| R. C. Clowry | William H. Henkle |
| Mortimer L. Schiff | Alvin W. Cretch |

C. H. Chappell

E. H. Harriman was elected President and continued to act as such for about a year. He was also elected chairman of the executive committee, and continued to act as such until about October, 1906.

### Forty Million Dollar Mortgage

On June 27, 1899, the Board of Directors passed a resolution authorizing the issue of $40,000,000 of 3 per cent., 50 Year Bonds, to be secured by mortgage upon the railroad, the proceeds thereof to be used for improvements, extensions, track elevation, rebuilding

bridges, reduction of grades, the acquisition of new engines and equipment, the funding of existing indebtedness, and "other lawful corporate purposes."

The resolution further provided:

"Resolved, That it be recommended and proposed to issue and negotiate said forty million dollars face value of said bonds of and when duly authorized by the stockholders, and to give to the stockholders the privilege of subscribing for and purchasing the same at the rate of $650 *in cash for each one thousand dollars face value of the new bond,* and that, as the capital stock of the company now issued and outstanding, both preferred and common, amounts in the aggregate to $22,236,600, the stockholders shall be entitled and offered the privilege of subscribing to said bonds at the rate of 180 face value of their new bonds for each share of common or preferred stock."

The resolution further provided that power should be reserved in the mortgage to issue additional bonds if duly authorized by the stockholders of the company.

On September 7, 1899, at a special meeting of the stockholders, the issuance of the bonds and the making of the mortgage were duly approved.

In the meantime, the members of the Syndicate had subscribed for their pro rata of bonds, pursuant to said resolution.

**Sale of Bonds to Syndicate**

Of this $40,000,000 issue of 3 per cent. bonds, $8,000,000 were not sold, but were pledged as collateral security to a $5,000,000 note of the Company. $32,000,000 were subscribed for by the stockholders at 65 cents on the dollar, of which the Syndicate received 97 per cent.

On September 7, 1899, at a meeting of the Board of Direc-

tors, the subscriptions were accepted, and 25 per cent. of the amount payable thereon was called to be paid October 10, 1899.

On April 2, 1900, at a directors' meeting, 55 per cent. additional of the subscription was called payable May 7, 1900, and the subscription to the remaining 20 per cent. was rescinded,

The amount actually paid by the Syndicate for this 97 per cent. of this $32,000,000 of bonds was, in round numbers, $20,000,000.

**Sale of Bonds by Syndicate**

Between October 17th and December 15, 1899, Kuhn, Loeb & Company sold $10,000,000 of these bonds for the Syndicate at 96 and accrued interest. It was conceded on the hearing before the Commission that the balance of this $32,000,000 of bonds was sold by the Syndicate for at least 90.

**Expenditures Capitalized**

On December 22, 1899, President Felton, in a report to the Board of Directors, stated that the books of the Company as theretofore kept, did not correctly show the true condition and assets of the Company, for the reason that expenses for the purchase of property and improvements, which had increased the facilities and added to the earning capacity of the road, had been charged to operating expenses instead of being capitalized. He recommended that the accounts of the Company be revised, and that all expenditures for betterments and additional property should be capitalized.

He recommended that the sum of $12,444,177.66, which he claimed the books of the Company showed to be the aggregate of capital expenditures, which had been paid out of income and charged to operating expenses, be added to the past cost of the road, and that the same amount be added to the present capitalization, together

with the amount of expense accounts of bonds redeemed and cancelled.

He further recommended that in the future all betterments and additions which should permanently increase the value and earning capacity of the road, including such amounts as might be paid out for redemption of outstanding sinking fund bonds, should from time to time be similarly capitalized.

The recommendations of President Felton were adopted and by resolution of the Board of Directors, the cost of the road and equipment was raised on the books from $34,153,927.16, as shown by the last published balance sheet of the Company, to $46,598,-101.82, and the capitalization for capital stock and funded debt was raised from $31,315,450, as shown on the last balance sheet, to $46,783,530.66.

This $12,444,177.66 which, by a few strokes of the pen, was added to the cost and capitalization of the road, consisted in part of income which the stockholders of the Company in former years had been content to apply to betterments and permanent improvements, and which, by the order of the Board of Directors, had been charged upon the books of the Company to operating expenses, and consisted in part of losses sustained by the stockholders of the companies.

### Thirty Per Cent. Dividend

On May 3, 1900, the Board of Directors of the Chicago & Alton Railroad Company adopted the following resolution:

"Resolved, That this Company declare and pay out of the net profits of the Company earned and accruing prior to January 1, 1900, a dividend equal to 30 per cent. of the par value of the

capital stock of this Company, payable on the 7th day of May, 1900 to stockholders of record at the close of business on the 5th day of May, 1900."

This 30 per cent. dividend was payable on the very day the 55 per cent. subscription to the bonds was payable. The subscription furnished the funds to pay the dividend, and the dividend furnished the funds to pay most of the subscription. The dividend on the stock owned by the Syndicate was paid by check to Kuhn, Loeb & Company. The amount of this dividend was $6,669,180, and was charged upon the books of the Company against "Construction Expenditures Uncapitalized."

**Profit of Syndicate on $40,000,000, 3 Per Cent. Bonds**

| | | |
|---|---|---|
| Amount received by Syndicate from sale of $10,000,000 bonds by Kuhn, Loeb & Company at 96 | $ 9,600,000 | |
| Amount received from sale of balance of bonds (about $21,000,000) at 90 | 18,900,000 | |
| Amount received from 30 per cent. dividend | 6,669,180 | |
| Total | | $35,169,180 |
| Amount paid by Syndicate for 97 per cent. of $32,000,000 bonds at 65 | | 20,176,000 |
| Profit to Syndicate | | $14,993,000 |

**The Chicago & Alton Railway Company**

The Chicago & Alton Railway Company was incorporated March 31, 1900. Its declared object, among other things, was to construct a railroad from a point in Morgan County to a point near Springfield, in Sangamon County, and to extend the same to a point near Grove, in Tazewell County, by the purchase of the railroad

theretofore owned by the St. Louis, Peoria and Northern Railway Company and sold under foreclosure.

Its authorized capital was $40,000,000, to be divided into preferred and common stock, viz., 200,000 shares of non-cumulative, 4 per cent. preferred stock, of the aggregate par value of $20,000,000, and 200,000 shares of common stock of the aggregate par value of $20,000,000.

This Company, like the Railroad Company, was controlled by the Syndicate.

### Lease to Railway Company

On April 3, 1900, the Chicago & Alton Railroad Company leased all of its property to the Chicago & Alton Railway Company.

### Transfer to Dummy

About the time the Railway Company was incorporated, the Syndicate transferred to Louis L. Stanton (a dummy):

1. All of its preferred stock of the Chicago & Alton Railroad Company;
2. All of its common stock of the Chicago & Alton Railroad Company; and
3. The line of railroad from Springfield to Peoria.

The preferred stock consisted of 34,722 shares, for which the Syndicate paid at $200 per share.... $ 6,944,400
The common stock consisted of 183,244 shares, for which the Syndicate paid at $175 per share..... $32,067,700

The railroad from Springfield to Peoria consisted of a line 58 miles in length. It had been sold at foreclosure sale of all the railways of the St. Louis, Peoria and Northern Railway Com-

pany and acquired by the Laclede Construction Company, a corporation controlled by the Syndicate. It was asserted upon the hearing before the Interstate Commerce Commission, and so far as I am advised, was not denied, that this line of road cost the Syndicate a little over a million dollars.

**Property Turned Over by Dummy**

On April 3, 1900, the following proposition was made to the Board of Directors of the Chicago & Alton Railway Company by Louis L. Stanton:

"I hereby offer to sell and transfer to your company 34,722 shares of the preferred capital stock of the Chicago & Alton Railroad Company, for the sum of $10,000,000, payable in cash; and 183,-224 shares of the common stock of the Chicago & Alton Railroad Company for $19,449,000 par value of non-cumulative four per cent. preferred stock, and $19,542,800 par value of the common stock of your company."

On the same day the following proposition was also made by said Louis L. Stanton to the Board of Directors of the Chicago & Alton Railway Company:

"We hereby offer to sell and transfer to your company for the consideration of $3,000,000 the railroad line and property formerly of the St. Louis, Peoria and Northern Railway Company (describing line) with the equipment and appurtenances evidenced in the proposed conveyance which I submit to your Board."

The above propositions were duly accepted by vote of the directors and stockholders of the Railway Company; meetings of the directors and of the stockholders being held alternately during the day to adopt the necessary resolutions.

On April 23rd, the following resolution was adopted by the Board of Directors of the Chicago & Alton Railway Company:

"Resolved, That this company issue twenty-two thousand of its three and one-half per cent. first lien, fifty year gold bonds, and that the Farmers' Loan and Trust Company be authorized and requested to certify the same and to deliver the same to or upon the order of the President or any Vice President of this Company; and further

Resolved, That the said bonds be sold by the officers of the Company for $13,000,000, and the proceeds used to fund the existing indebtedness of this Company; and further,

Resolved, That out of the proceeds of the sale of the said bonds there be paid to Mr. Louis L. Stanton $3,000,000 thereof to pay for that portion of the railways and property formerly of the St. Louis, Peoria and Northern Railway Company, conveyed by said Louis L. Stanton to this Company, and $10,000,000 thereof to pay for the 34,733 shares of the preferred stock of the Chicago & Alton Railroad Company purchased from him."

The deal was carried out in accordance with these resolutions. $22,000,000, 3½ per cent., first lien, 50 year gold bonds were issued, and a mortgage executed to the Farmers' Loan and Trust Company as trustee, These bonds, as shown by the testimony, were turned over to the Syndicate in payment of its preferred stock of the Chicago & Alton Railroad Company, and the line from Springfield to Peoria.

**Sale of $22,000,000, 3½ Per Cent. Bonds**

These $22,000,000 of 3½ per cent. bonds of the Chicago & Alton Railway Company sold on the market at prices ranging from 80 to 86, and E. H. Harriman in his testimony so states.

**Profits of Syndicate on $22,000,000 Bonds**

| | | |
|---|---|---|
| Amount received by Syndicate from sale of $22,000,000, 3½ per cent. bonds at 80 | | $17,600,000 |
| Amount paid by Syndicate for 34,722 shares of preferred stock of Chicago & Alton Railroad Company at 200 | $ 6,944,400 | |
| Cost of Peoria line | 1,000,000 | 7,944,400 |
| Profit to Syndicate | | $ 9,655,600 |

The Syndicate received for its 183,224 shares of the common stock of the Chicago & Alton Railroad Company, which cost it $32,067,700, the entire $40,000,000 of preferred and common stock of the Chicago & Alton Railway Company, less about $1,000,000.

**The Consolidated Company**

In March, 1906, the Chicago & Alton Railroad Company consolidated with the Chicago & Alton Railway Company, under the name of The Chicago & Alton Railroad Company.

The capital stock of the Consolidated Company was $40,000,000, divided into preferred and common stock.

The Consolidated Company assumed all of the debts and liabilities of the constituent companies.

**Total Profits of Syndicate**

| | |
|---|---|
| Profits on 97 per cent. of $32,000,000, 3 per cent. | $14,993,000 |
| Profits on $22,000,000, 3½ per cent. bonds of Chicago & Alton Railway Company | 9,655,600 |
| Total profits of Syndicate | $24,648,600 |

**Effect of Manipulation on Companies**

When the Syndicate acquired control in 1899, the total liabilities of the Chicago & Alton Railroad Company, on account of capital

stock, guaranteed stock, and bonded indebtedness, were, in round numbers, $39,000,000.

According to the report of the Chicago & Alton Railroad Company (the Consolidated Company), made to the Railroad and Warehouse Commission of Illinois, on September 29, 1906, and sworn to by S. M. Felton, President, the liabilities of the Consolidated Company were as follows:

| | | |
|---|---|---|
| Capital Stock | $43,679,300.00 | |
| Bonds Outstanding | 72,350,000.00 | |
| Equipment Trust Obligations | 3,016,918.08 | |
| Total | | $119,046,218.08 |
| Less total obligations at date of organization of Syndicate | | 39,000,000.00 |
| Indebtedness created by Syndicate | | $ 80,046,218.08 |

Of this $80,046,218.08 of indebtedness created by the Syndicate, only $22,500,000, all told, according to the testimony of E. H. Harriman, was incurred for or on account of improvements, betterments or extensions of the railroads and properties of the system.

Over $57,000,000 of this indebtedness, or more than 70 per cent. of the entire indebtedness, created by this Syndicate upon the properties of these several companies, was not created in furtherance of any legitimate purpose for which a railroad company is or can be organized under the statutes of the State of Illinois.

**Present Capitalization a Mile**

| | |
|---|---|
| Total mileage of Company | 909,46 miles |
| Total liabilities of Consolidated Company | $119,046,218.08 |
| Capitalization per mile | $130,800.00 |

E. H. Harriman testified: "I do not believe the Chicago & Alton Railroad Company could be developed to-day for the amount of *bonds* that are outstanding."

But in addition to the Company's bonded indebtedness, which amounts to over $79,000 a mile, its capital stock liabilities are over $48,000 a mile, and its present outstanding indebtedness, on account of equipment trust obligations, is over $3,000 a mile.

**Has the State a Remedy?**

That the Chicago & Alton Railroad Company can carry such a bonded indebtedness as this, keep up its road, and pay dividends upon its stock (a considerable portion of which, I understand from the testimony, has already been unloaded by the Syndicate), is preposterous.

The persons who will ultimately suffer will be the bondholders, the innocent stockholders, or the other creditors of the road.

That there is a civil remedy against a syndicate whose manipulation (charitably called financiering) produced the conditions which now exist, I have not the least doubt. But that the State of Illinois is the proper party to enforce such a remedy, I have some question.

Even if the charter of the Company could be revoked upon proceedings instituted by the State, the innocent stockholders would suffer most.

The bonds of the Company are in the hands of innocent purchasers, for a valuable consideration, and under the decisions of our Supreme Court and the Supreme Court of the United States, in my opinion, cannot be attacked.

I am inclined to the opinion that the remedy lies with the Company itself, or in the event of its refusal to act, with some one

or more of the stockholders. Should I become satisfied, however, upon further investigation, that an effective remedy can be enforced by the State, I shall not hesitate to institute proceedings.

Whether or not the members of this Syndicate are criminally liable under the statutes of the State of Illinois, I express no opinion at this time.

Very respectfully,

(signed) W. H. STEAD,

*Attorney General.*